DEFINING RESPONSIBLE LENDING WITH CHANGES TO LENDER GIFT AND GRANT REQUIREMENTS

Freddie Mac remains committed to working with our customers, and the industry, to provide effective sustainable solutions to make homeownership accessible to more Borrowers with limited down payment savings.

To ensure we continue to provide responsible financing options, we will change our requirements for Home Possible® Mortgages, including Home Possible Advantage® Mortgages. Gifts or grants from the Seller as the originating lender will only be permitted after a contribution of at least 3% of value (i.e., the lesser of the appraised value or the purchase price) is made from the Borrower’s personal funds and/or other permitted sources of funds, including a gift from a Related Person, funds from government agencies, employer housing programs and Affordable Seconds. This 3% contribution requirement is an important factor in creating a responsible, sustainable homeownership opportunity. Gifts or grants from the Seller must not be funded directly or indirectly through the Mortgage transaction, including differential pricing in rate, discount points or fees.

In 2014, following the leadership and instruction of the FHFA, Freddie Mac introduced Home Possible Advantage, an affordable conforming, conventional mortgage offering with a 3% minimum down payment requirement. Home Possible Advantage includes higher underwriting standards that counterbalance the risk associated with lower down payments. These standards were established to responsibly serve a targeted segment of creditworthy Borrowers with lower down payment Mortgages. The change we are announcing today reinforces these standards.

We will update the Guide with a Bulletin this summer to reflect this change and will provide adequate notice concerning the effective date.

Supporting affordable housing and access to credit is an integral part of Freddie Mac's mission as we lead the housing industry forward, building a better housing finance system – for today and tomorrow.

Sincerely,

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Uniform Closing Dataset

- Requirements for the delivery of the Uniform Closing Dataset through Loan Closing Advisor℠ – September 25, 2017 (New)

Collateral representation and warranty relief expansion

- Removal of the requirement that a Mortgage be submitted to Loan Product Advisor® to be eligible for collateral representation and warranty relief – August 4, 2017

Electronic Recording of paper and electronic closing and post-closing documents

- Removal of the requirement that a Seller/Servicer retain a wet ink signed assignment of a Mortgage or a modification agreement when those paper documents are electronically recorded

Selling System®

- Requirements for third-party advisors, known as Secondary Market Advisors, to access the Selling System® to perform services for Sellers – July 31, 2017 (New)
- Delivery requirements for low loan balance Mortgages – New
- Pricing and contracting Guide terminology updates related to previously announced Selling System capabilities

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.

UNIFORM CLOSING DATASET

Effective for Mortgages sold to Freddie Mac with Note Dates on and after September 25, 2017

When originally announced, the Uniform Closing Dataset (UCD) XML with the embedded closing disclosure PDF was to be required on all Mortgages sold to Freddie Mac with a Note Date on and after September 25, 2017. However, as communicated in our June 6, 2017 Single-Family News Center article, in response to Seller feedback regarding UCD adoption, the GSEs are offering a six-month relief period for embedding the closing disclosure PDF within the UCD XML file. Please refer to the UCD web page for more information.

While Sellers must still submit the UCD XML file for Mortgages sold to Freddie Mac with Note Dates on and after September 25, 2017, they now have until at least April 2018 to deliver the XML file with the embedded PDF. Nonetheless, Sellers are encouraged to submit the UCD XML file with the embedded PDF starting on September 25, 2017 if they have the capability to do so. We will provide adequate notice to Sellers of the date when the delivery of the embedded PDF will be required.

We have created new Guide Chapter 5801 to provide information and requirements related to the UCD and delivery through Loan Closing Advisor.
Loan Closing Advisor is Freddie Mac's electronic collection solution for the UCD that helps Sellers validate that their closing data aligns with the UCD. Loan Closing Advisor then assesses the data against the UCD specification, checking for the completeness, validity and accuracy of certain calculated values and consistency of the data.

The submission of the UCD through Loan Closing Advisor is fulfilled when:

- The transaction has received data quality feedback messages; and
- The Loan Closing Advisor feedback certificate indicates that the UCD requirement has been satisfied

To obtain access to Loan Closing Advisor, Sellers should contact their Freddie Mac Account Executive or visit the Loan Closing Advisor web page and click on the “Get Started” button to start the process.

Guide impact: Guide Section 5801.1

**COLLATERAL REPRESENTATION AND WARRANTY RELIEF EXPANSION**

Effective for appraisals submitted to the Uniform Collateral Data Portal® on and after August 4, 2017

In Bulletin 2017-3, we announced that a Mortgage must be submitted to Loan Product Advisor to be eligible for collateral representation and warranty relief. With this Bulletin, we are enhancing our offering by no longer requiring a submission to Loan Product Advisor. Therefore, eligibility will no longer be dependent on submission to Loan Product Advisor. Collateral representation and warranty relief status will continue to be communicated through the Uniform Collateral Data Portal®, Loan Collateral Advisor®, Selling System, Loan Coverage Advisor®, and when applicable, Loan Product Advisor and Loan Quality Advisor®. We are also updating our eligibility requirements to include that the Mortgage must have a loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio less than or equal to 95% to obtain collateral representation and warranty relief.

Guide impact: Section 5601.9

**ELECTRONIC RECORDING OF PAPER AND ELECTRONIC CLOSING AND POST-CLOSING DOCUMENTS**

In Bulletin 2016-16 we announced that, for closing documents that are electronically recorded, Freddie Mac does not require Seller/Servicers to store paper copies. However, electronically recorded post-closing documents such as assignments of Mortgages, modification agreements, etc., were not explicitly referenced in Sections 1401.14 and 1401.15, which were revised as part of Bulletin 2016-16.

Based on Seller/Servicer feedback, we are now specifying that a Seller/Servicer does not need to store the original wet ink-signed paper assignments of Mortgages or modification agreements when such documents are electronically recorded. Seller/Servicers may now store Electronic (as defined in Section 1401.2) copies of electronically-recorded paper assignments of Mortgages or paper modification agreements, etc., but must do so securely and ensure such Electronic copies contain all the recording information.

We have also clarified storage and delivery requirements for paper and electronically created closing and post-closing documents that are electronically recorded, as follows:

- Seller/Servicers may store such Electronic copies of such documents as long as the copies or other Recording Confirmations from the Recording Office contain all of the recording information
- Seller/Servicers must still deliver to the Document Custodian or Designated Custodian, as applicable
  - The original wet-ink signed paper assignments of Mortgages, powers of attorney, modification agreements, etc., that have been electronically recorded, and
  - Paper copies of such electronically recorded documents or other Recording Confirmations from the Recording Office

Revising these requirements will create operational efficiencies for Seller/Servicers by reducing some storage costs and making it easier to store and retrieve documents. In addition, it reduces the risk of lost documents.
After delivery of the Mortgage to Freddie Mac, a Servicer may only enter into paper modification agreements with original wet-ink signatures, except for Electronic modification agreements under the Home Affordable Modification Program (HAMP®). Servicers must comply with the requirements set forth in Section 9205.20 with respect to HAMP eModification Agreements, as defined in Section 9205.20. With respect to non-HAMP eModification Agreements, Servicers may store such documents electronically provided they deliver to the Document Custodian or Designated Custodian, as applicable, the original wet-ink signed paper modification agreement and paper copies of such electronically recorded documents.

At this time, Servicers remain subject to the paper document retention requirements set forth in Chapters 3301 and 3302 for those documents that have not been electronically recorded.

Guide impacts: Sections 1401.14, 1401.15, 2202.4, 6304.1, 6304.3 and 9206.17

SELLING SYSTEM

Authorizing access to the Selling System for third-party advisors

Effective July 31, 2017

More Sellers are utilizing the services of third-party advisors, now defined as Secondary Market Advisors (SMA), for assistance on secondary market activities. We have added requirements for Sellers that want an SMA to perform duties on their behalf in the Selling System. These new requirements include forms that both a Seller utilizing an SMA and an SMA must complete to provide the necessary authorizations and create a Selling Agent relationship between the Seller and the SMA.

Section 2403.3 is being repurposed to outline the use of SMAs and Selling Agents. It previously contained requirements regarding separate written agreements between the Seller and Freddie Mac for entering the Selling System. This is being removed as the written agreements have now expired. Additionally, we have added new Glossary definitions for the terms Secondary Market Advisor and Selling Agent.

For an SMA to become a Selling Agent and be authorized to act on behalf of the Seller, the following must occur:

- The SMA must complete, sign and deliver to Freddie Mac new Guide Form 478, Secondary Market Advisor Selling Agent Agreement, and
- The Seller that will be utilizing the SMA must complete, sign and deliver to Freddie Mac new Form 900SA, Selling System Agent Identification and Authorized User Role Form, for each authorized employee of the Selling Agent.

A Seller that currently has an SMA performing services on its behalf in the Selling System under a services agreement and has an executed and approved “Selling System Price Sheet Analyst User ID Request Form” and/or Form 900 is not immediately required to execute a Form 900SA unless and until one of the conditions listed in Section 2403.3(f) applies.

Guide impacts: Sections 2403.1, 2403.3 and 2403.11 and Forms 478 and 900SA and the Glossary

Cash payups for Mortgages with low loan balances

Effective June 26, 2017

Our June 14, 2017 Single-Family News Center article described how we simplified the process in the Selling System to receive cash payups for fixed-rate Mortgages with specific loan attributes, such as UPBs less than or equal to $175,000.

In order to take advantage of these cash payups for each Mortgage, Sellers must deliver the ULDD Data Point Investor Feature Identifier (Sort ID 368) and enter the applicable valid value provided in new Section 6302.39 associated with the UPB of the Cash Specified Pool Type to which the Mortgage has been allocated.

Guide impacts: Section 6302.39 and Guide Exhibit 34
Pricing and contracting terminology updates

Bulletin 2017-2 announced new Selling System functionality for Sellers to obtain their Guarantor and MultiLender pricing for Purchase Contracts. In support of those changes, we are updating Guide terminology to align with the Selling System’s new capabilities.

We are replacing references in the Guide to “Master Commitment number” with “Pricing Identifier,” which we are adding as a Glossary term. “Pricing Identifier” is defined as a number (or such other designation that Freddie Mac may select) that identifies an agreement providing the terms under which Freddie Mac will purchase eligible Mortgages over a fixed period of time.

In addition, we are updating the Glossary as follows:

- Replacing the term “Master Commitment” with the term “Pricing Identifier Terms,” which is defined as terms associated with a Pricing Identifier under which the Seller may sell Mortgages to Freddie Mac
- Replacing:
  - “Effective Date for Delivery” with “Pricing Identifier Effective Date”
  - “Master Commitment Amount” with “Commitment Amount”
  - “Required Delivery Date” with “Pricing Identifier Expiration Date”
- Updating the definitions for “Master Agreement,” “Minimum Contract Servicing Spread,” “Purchase Contract” and “Purchase Documents”
- Removing the term “Maximum Master Agreement Amount” as it is no longer relevant

All applicable Guide references have been updated to reflect these terminology changes. Pursuant to Section 1501.2, provisions, including terms of business in Master Agreements and/or Master Commitments and other Purchase Documents, are hereby amended such that all references to previously-defined terms are deemed to be references to the revised Glossary terms noted above.

Sections 1501.1 and 1501.2 have been revised to reflect updates to Master Agreements and other Purchase Contracts.

Loan Product Advisor feedback messages have been updated to reflect these changes.

Guide impacts: Sections 1501.1, 1501.2, 1501.4, 1501.5, 1501.6, 1501.7, 1501.8, 5203.2, 6201.1, 6201.2, 6201.15, 6202.3, 6203.4, 6203.5, 6204.4, 6204.5, 6205.4, 6205.5, 6302.3, 6302.4, 6401.1, and 6401.2, Exhibits 6, 28 and 28A, Form 900 and the Glossary

ADDITIONAL GUIDE UPDATES

Concurrent Transfers of Servicing

Seller/Servicers are encouraged to implement the below changes immediately, but must do so no later than October 9, 2017.

In response to Seller/Servicer feedback for processing Concurrent Transfer of Servicing requests, we are clarifying:

- Responsibilities between the Seller, the Servicer and the Servicer’s Document Custodian
- When certification of the Notes must be performed

As a result, we are updating the Glossary as follows:

- Deleting the term “Transferor Seller”
- Revising the term “Concurrent Transfer of Servicing” as follows:
A Transfer of Servicing initiated by a Seller to a Servicer that occurs, subject to prior Freddie Mac approval, concurrently with Freddie Mac's purchase of a Mortgage on the Settlement Date: for the sake of convenience, the Seller may be referred to as the "Transferor Servicer" and the Servicer may be referred to as the "Transferee Servicer." In each instance, the Mortgage is delivered for certification to the Servicer's Document Custodian.

Guide impacts: Sections 6301.6 and 7101.9, Form 960 and the Glossary

Exhibit 13
The Federal Emergency Management Agency (FEMA) has revised the Standard Flood Hazard Determination Form, FEMA Form 086-0-32, Freddie Mac Exhibit 13, and extended the expiration date to October 31, 2018. Use of the new form is recommended; however, the previous form with the expiration date May 30, 2015 continues to be acceptable.

Guide impacts: Section 8202.3 and Exhibit 13

GUIDE UPDATES SPREADSHEET

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

Sincerely,

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: LENDER GIFTS AND GRANTS AND AGENCY-PROVIDED FUNDS

Freddie Mac remains committed to working with our Sellers and the industry to provide responsible and sustainable solutions that help make homeownership accessible to more Borrowers who have limited funds.

To support our commitment to continue to provide responsible financing options, we are changing our requirements for lender gifts and grants for Home Possible® Mortgages and funds provided by an Agency.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective for Mortgages with Settlement Dates on and after November 1, 2017, unless otherwise noted.

Lender gifts and grants for Home Possible Mortgages

As announced in our July 6, 2017 Industry Letter, we are changing our requirements for Home Possible Mortgages, including Home Possible Advantage® Mortgages.

We are revising our requirements to state that gifts or grants from the Seller as the originating lender will be permitted only after a contribution of at least 3% of value (i.e., the lesser of the appraised value or the purchase price) is made from Borrower personal funds and/or other eligible sources of funds as described in Guide Section 4501.10(c). Gifts or grants from the Seller must not be funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering.

Delivery requirements

In conjunction with this change, we reviewed our existing delivery requirements for Home Possible Mortgages originated with gifts and grants from the Seller as the originating lender. Effective immediately, we are clarifying the delivery requirements in Section 6302.14 for Home Possible Mortgages originated with gifts and grants from the Seller as the originating lender. Sellers must enter the valid value of “Borrower” for ULDD Data Point, Down Payment Source Type (Sort ID 173), and “Gift Funds” for ULDD Data Point, Down Payment Type (Sort ID 175).

As a reminder, Sellers should note that the valid value of “Originating Lender” for ULDD Data Point, Down Payment Source Type (Sort ID 173), and “Grant” for ULDD Data Points, Down Payment Type/Down Payment Type Other Description (Sort IDs 175/176), were added to the Uniform Loan Delivery Dataset (ULDD) Appendix A, Freddie Mac XML Data Requirements V.4.0.2, published on December 13, 2016. The Selling System® will be updated to accept these valid values by February 26, 2018.

Sellers may begin delivering the new valid values (in lieu of the valid values of “Borrower” for ULDD Data Point, Down Payment Source Type (Sort ID 173), and “Gift Funds” for ULDD Data Point, Down Payment Type (Sort ID 175)) once the Selling System has been updated, and will be required to do so on and after the ULDD Phase 3 mandate in May 2019.

Guide impacts

Sections 4501.10 and 6302.14 are being updated to reflect these requirements for gifts and grants from the Seller as the originating lender for Home Possible Mortgages.
Agency-provided funds (including down payment assistance)

**Agency must not be the Seller or any party that participated in the Mortgage origination process or affiliated with either**

Currently, the Guide permits funds from the following sources to be provided by an Agency:

- Gift or grant
- Affordable Second®
- Matching funds for an Individual Development Account (IDA)
- Unsecured loan (Home Possible Mortgages only)

In order to promote Agency independence, we are revising our requirements for funds provided by an Agency. For the subject Mortgage, unless the source of funds is an Employer Assisted Homeownership (EAH) Benefit, the Agency providing the funds must not:

- Be the Seller or have participated in any aspect of the Mortgage origination process
- Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process

For these purposes, “affiliated with” means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

**Exception for Home Possible Mortgages**

For Home Possible Mortgages, the funds may be provided by an Agency affiliated with, under contract to, or financed (directly or indirectly) by the Seller as the originating lender when:

- The source of funds is an eligible source meeting all applicable Guide requirements (for example, a gift or grant from an Agency must meet the requirements in Section 5501.3(c))
- A contribution of at least 3% of value (as described in Section 4203.1) is made from Borrower personal funds and/or other eligible sources of funds as described in Section 4501.10; and
- The source of funds is not funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering

**Documentation requirements for IDAs with Agency matching funds subject to Recapture**

Effective immediately, we are making a minor clarification to Section 5501.3(c)(4). Currently, we require that the documentation of matching funds also meet the documentation requirements for a gift or grant from an Agency, including providing evidence that the funds do not have to be repaid. Since this conflicts with how an IDA with Agency matching funds subject to Recapture is structured, we are updating the Guide to exempt the Seller from the requirement to provide such evidence. This revision aligns with our original intent.

**Guide impacts**

Sections 4204.2, 4501.10, 5501.3 and 5501.4 are being updated to reflect these requirements for funds provided by an Agency.
CONCLUSION

Supporting affordable housing and access to credit is an integral part of Freddie Mac's mission as we lead the housing industry forward, helping to build a better housing finance system – for today and tomorrow.

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
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: REVISIONS TO RENTAL INCOME REQUIREMENTS

This Guide Bulletin announces revised rental income requirements and guidance.

Additionally, we are making minor Guide updates to support the revisions for self-employed income announced in Bulletin 2016-19 and updating the effective date for MultiLender Swap posting information and Forms 15A and 15C announced in Bulletin 2017-7.

RENTAL INCOME

Effective for Mortgages with Settlement Dates on and after February 9, 2018; however, Sellers may implement the changes in their entirety immediately

In Guide Bulletin 2016-19 we indicated we would address rental income requirements in a future Guide Bulletin. We are now announcing revised rental income requirements and guidance with a focus on housing industry trends and matters impacting the current and historical analysis of stable monthly rental income.

The revisions:

- Proactively address evolving housing industry trends in the rental market such as short-term rental income (e.g., rental income typically derived from sources where a lease is not utilized)
- Support successful and sustainable homeownership through responsible lending practices
- Include expanded requirements, additional specificity and guidance to support the determination of stability, reasonable expectation of continuance and calculation of rental income, resulting in continued support of purchase certainty
- Freddie Mac considered Seller inquiries and feedback, broad industry practices and internal review and analysis in developing these revisions. We are updating Guide Chapter 5306 to reflect the revised requirements and additional specificity in chart format, as appropriate, to support ease of use.

The highlights below summarize the key updates. Additional detail is available in Attachment A of this Bulletin.

Short-term and long-term rental income sources: refinance transactions for properties owned in the prior calendar year(s)

The changes below apply to refinance transactions when using rental income from properties owned in the prior calendar year(s) for:

- 2- to 4-unit Primary Residences
- 1- to 4-unit Investment Properties, and
- Non-subject investment properties

Short-term rental income sources

We are adding requirements and guidance to address the stability of rental income derived from short-term rental income sources (e.g., rental income from a source where a lease is not utilized) to support evolving housing industry trends in the rental market. A two-year history of rental income from a short-term source is required. The income must be documented on Schedule E and the property must have been used for the purposes of producing rental income for this period of time. Short-term rental income is typically fluctuating so historical analysis of the associated degree of volatility and/or irregularity is necessary to determine income stability.

TO: Freddie Mac Sellers

August 9, 2017 | 2017-12
Guide impact: Section 5306.1(c)(ii)

**Long-term rental income sources**

We are updating requirements for traditional rental market income sources (e.g., rental income from a one-year lease). A one-year term lease lends support to income stability and continuance, so a one-year history of rental income reported on Schedule E is acceptable. Also, Sellers may determine that rental income is stable without obtaining a current lease when it is evident that the source of rental income is not short term based on the documentation provided.

Guide impact: Section 5306.1(c)(ii)

**Income from rental properties not owned in the prior calendar year**

For Borrowers who do not have a documented one-year history of investment property management experience, the Seller may only consider net rental income in an amount up to 30% of the sum of the net rental income and all other stable monthly income that is used to qualify the Borrower.

This change provides support to sustainable and successful homeownership by requiring a reasonable limitation upon the reliance on a newer type of income stream.

Guide impact: Section 5306.1(c)(ii)

**Guide Form 1000 and comparable rent data**

We are reintroducing Guide Form 1000, *Comparable Rent Schedule*, for all 1-unit subject Investment Properties and providing requirements for the analysis of comparable rent data in both Form 1000 and Form 72, *Small Residential Income Property Appraisal Report*. As a result, we are retiring Form 998, *Operating Income Statement*.

**Expanded requirements, additional specificity and guidance**

Additional revisions include, but are not limited to the following:

- **Accessory units (Section 5306.1(a)(ii))** – Specifying rental income may be used for an accessory unit in a 1-unit subject Investment Property and non-subject investment property. Rental income requirements and subject property appraisal requirements must be met. Refer to Sections 5306.1(b) and 4501.9(a) for additional information.

- **Leases (Section 5306.1(c)(ii))**– Specifying that leases must be current and fully executed, with a minimum original term of one year (with an allowance for a month-to-month term if in the automatically renewable stage) for all transaction types

- **Net rental income calculations (Section 5306.1(c)(iii))** – Separating by documentation type (e.g., lease, comparable rent schedule, tax returns). Rental income calculation for subject 1- to 4- unit Investment Property and non-subject investment property is being revised to reflect calculation based on net rental income less the Mortgage payment rather than the net aggregate calculation. This calculation takes the monthly Mortgage principal payment into account. Adding Form 92, *Net Rental Income Calculations – Schedule E*, to the Guide for use when calculating the net rental income using Schedule E.

- **Establishment of debt payment-to-income ratio (Section 5306.1(d))** – Separating requirements by occupancy and property type and specifying treatment of multiple non-subject investment properties

- **Subject Investment Property** – Removing the requirement to verify operating expenses when rental income is not used to qualify

- **Non-subject investment properties** – Specifying the property type may be non-residential

- **Internal Revenue Service (IRS) Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation (Sections 5306.1(e) and 5306.1(d))** –
Adding a cross-reference to Chapter 5304 in Section 5306.1(e) for the treatment of all rental real estate income reported on IRS Form 8825, as announced in Bulletin 2016-19

Updating Sections 5306.1(e) and 5304.1(d) to specify that all rental real estate held in a partnership or S corporation is treated as self-employed income, regardless of the Borrower’s ownership interest in the business

These revisions support the determination of stability, reasonable expectation of continuance and calculation of rental income, resulting in continued support of purchase certainty.

Additional resources
Sellers are encouraged to visit the Income and Assets page on the Freddie Mac Learning Center for available training.

Guide impacts
The following are impacted as a result of the revisions to requirements:

- **Form 1000, Single Family Comparable Rent Schedule** – Reintroducing Form 1000 and refreshing into a fillable PDF. The content has not changed.

- **Form 998, Operating Income Statement** – Retiring Form 998 due to the reintroduction of Form 1000. The rental data in Forms 72 and 1000 replaces the need for Form 998.

- **Form 91, Income Calculations** – Updating Form 91 to remove the Schedule E rental income calculations. See the “Self-employed income updates” section below for additional revisions made to Form 91.

- **Form 92, Net Rental Income Calculations – Schedule E** – Introducing Form 92 to support the calculation of net rental income when Schedule E is being used. Three sections are provided for ease of use when determining the debt payment-to-income ratio:
  - Subject 2- to 4-unit Primary Residence
  - Subject Investment Property
  - Non-subject investment property(s)

- Chapter 5306
- Sections 3401.12, 4201.15, 4201.16, 4501.9, 5304.1 and 5401.2
- Glossary

**ADDITIONAL GUIDE UPDATES**

**Self-employed income updates**

**Effective immediately**

We made the following updates to Form 91 to support the revisions for self-employed income announced in Bulletin 2016-19 and provide more comprehensive information for ease of use:

- Changed the name of the form from Income Analysis Form to Income Calculations
- Added a line item to add back depreciation reported on IRS Form 8825 and added a reference to updated Guide requirements for Mortgages and notes payable in less than one year
- Removed line items not often used for self-employed Borrower income calculations (e.g., IRS Forms 4797, 6252 and 2106)
- Updated line items with current IRS terminology (e.g., travel and entertainment, W-2 on line 7 of IRS Form 1040, schedule names)
• Included line items for deduction of corporate dividend income for IRS Form 1040 (to prevent double counting) and deduction of travel and entertainment expenses for IRS Form 1120

• Replaced instructions with Guide section references for improved accuracy

• Added lines to include Borrower name and business name(s)

• Updated format to include separation of and subtotals for each income and business type and to include an income summary page

As a reminder, Form 91 is a tool to help the Seller calculate the income for a self-employed Borrower. The Seller’s calculations must be based on the requirements and guidance for the determination of stable monthly income in Topic 5300.

Additionally, the following revisions in Chapter 5304 have been made for added specificity, but do not represent a change in requirements:

• Updated Section 5304.1(d) to specify that for rental real estate held in a partnership or S corporation, the requirements for Borrower debt paid by business in Section 5401.2(b)(ii) do not apply to business rental property

• Updated language for Form 91 in Chapter 5304.1(d) from “an alternative form that provides the same information” to “a similar alternative form”

• Updated language for “analysis on Form 91” to “calculations on Form 91” since the purpose of Form 91 is to calculate income

Guide impacts: Section 5304.1 and Form 91

**MultiLender Swap posting information and Forms 15A and 15C updates**

**New effective date – August 28, 2017**

In Bulletin 2017-7 we announced that effective July 31, 2017, we would update the MultiLender Swap posting information to include the prefix for each MultiLender PC Pool and the renaming of existing MultiLender PC Pool information. Additionally, we would update Forms 15A, Settlement Summary – Fixed Rate Guarantor and 15C, Settlement Summary – Weighted Average Coupon ARM PC to include the prefix.

As announced in our [July 27, 2017 Single-Family News Center article](http://www.freddiemac.com/singlefamily/guide/docs/bll1712_spreadsheet.xls), we have moved the adoption date of the new securities disclosure format for the Single Security initiative to August 28, 2017. As a result, we are updating the impacted Guide provisions to align with this new date. The applicable Selling System screens will now display the new prefix on August 28, 2017.

Guide impacts: Section 6201.4 and Forms 15A and 15C

**GUIDE UPDATES SPREADSHEET**

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,

[Signature]

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management
Summary of Rental Income Revisions

For a summary of changes related to rental income requirements made with Bulletin 2017-12, please review the following table:

<table>
<thead>
<tr>
<th>Guide reference</th>
<th>Subject</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 5306.1(a)</td>
<td>General eligibility requirements</td>
<td>Stability and Continuance: Adding stability and continuance statement with a reference to Section 5301.1</td>
</tr>
</tbody>
</table>
| Section 5306.1(a)(i) | Rental income eligibility | • 1-unit Primary Residences and second homes: Rental income remains ineligible, except as specified in Sections 5306.1(b) (live-in aide) and 4501.9(a) (Home Possible® Mortgages). No changes to requirements.  
  
  • Subject Investment Property: Removing requirement to verify operating expenses when rental income is not used  
  
  • Non-subject investment property: Specifying that the property may be non-residential (e.g., commercial) |
| Section 5306.1(a)(ii) | Accessory units | Specifying that rental income from an accessory unit is acceptable under certain circumstances for:  
  
  • 1-unit subject Investment Property and  
  
  • Non-subject investment property  
  
  Refer to Chapter 5601 for property eligibility and appraisal requirements and Section 4501.9(a) for rental income with Home Possible Mortgages, which has been updated to reference accessory unit income. |
<p>| Section 5306.1(a)(iii) | Second homes | No updates to requirements for second homes; rental income remains ineligible |</p>
<table>
<thead>
<tr>
<th>Guide reference</th>
<th>Subject</th>
<th>Update</th>
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</thead>
</table>
| Section 5306.1(b) | Rental income from live-in aide in the Borrower's 1-unit Primary Residence | Updating requirements for rental income received from a live-in aide, as follows:  
- Removing restriction that the Primary Residence must be the subject property  
- Specifying the receipt of rental payments must be documented for the most recent 12 months  
- Removing specific income continuance requirement  
- Specifying that rental income from a live-in aide who resides in the accessory unit is acceptable |
| Section 5306.1(c)(i) | Appraisal form documentation and analysis |  
- **Form 1000, Single Family Comparable Rent Schedule:** Adding form requirement for subject 1-unit Investment Properties when rental income is used to qualify  
- **Comparable rent data:** Providing requirements for analysis of comparable rent data provided on Forms 1000 and 72  
- **Form 998, Operating Income Statement:** Deleting form  
- **Indicated value by income approach:** Deleting from rental income requirements |
| Section 5306.1(c)(ii) | Lease requirements |  
- Specifying that leases must be current and fully executed, with a minimum original term of one year  
- Noting that if the lease is documented as assigned from the property seller to the Borrower and is in the automatically renewable month-to-month phase of an original one-year (or longer) term lease, then a month-to-month term is acceptable |
| **Subject property purchase transaction** | Lease availability: If a lease is available, it must be obtained and used to determine the net rental income  
Reasonable efforts to determine lease availability: Include review of the appraisal, comparable rent data, purchase contract, a discussion with the Borrower and/or any other applicable and reasonable method  
Seller has knowledge that the Borrower does not intend to use a lease (e.g., short-term rental): Rental income is ineligible  
Market rents: May be used to determine the net rental income if it has been determined a lease is not obtainable |
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<th>Guide reference</th>
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</table>
|                 | - Subject property refinance transaction - Non-subject investment property | Property purchased or converted from primary or second home occupancy to investment occupancy in the current calendar year  
- Lease must be used to determine net rental income  
- Purchase date or conversion date, as applicable, must be documented |
| Section 5306.1(c)(ii) | Investment property management experience or maximum eligible amount of net rental income | One-year management history or limitation on net rental income usage: Adding requirement that if tax returns do not document a one-year history of managing investment property, the net rental income may be considered only in an amount up to 30% of the sum of the net rental income and all other stable monthly income used to qualify the Borrower. Examples of the required calculations are included.  
This applies to a subject purchase, subject refinance or non-subject transaction when property purchased or placed in service for use as a rental property in current calendar year. |
|                 | Refinance transactions for properties owned in the prior calendar year(s) | Updating to reflect that the Seller must determine which of the following documentation options is the most appropriate to establish and support the stable monthly net rental income based on the individual transaction.  
**Option I – One-year history documented on IRS Form 1040 plus current one-year term lease (for long-term rental income sources)**  
Option I is for long-term rental income sources (e.g., lease with at least one-year term) reported on Schedule E. It requires a current lease which lends support to income stability and continuance, so a shorter documented history (one-year tax return) is acceptable.  
- One-year history of rental income reported on Schedule E is acceptable with availability of a current one-year term lease  
- The Seller may determine the rental income is stable without obtaining a current lease if requirements for age of tax returns and fair rental day review are met and no information is present that contradicts receipt of rental income from a long-term source |
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|                 | **Option II – Two-year history documented on IRS Form 1040 (for short-term rental income sources)** | A two-year history of rental income reported on Schedule E is required. Property must have been used for the purposes of producing rental income for a consecutive period of 24 months. Requirements and guidance provided for the analysis of historical data for income source, amount and expenses:  
- Analysis must include a review to validate the income is consistently derived from the same type of source. If the source of the rental income is from other than a lease (e.g., short-term rental), there must be a 24-month history of that source producing the rental income.  
- Less than a 24-month history (but no less than 18 months). Examples for justification included. |
| Section 5306.1(c)(iii) | **Net rental income calculation requirements** | **Leases and comparable rent data:** Adding requirements that a 25% vacancy/expense factor must be applied to the gross rents or gross monthly market rents from leases and comparable rent data, respectively.  
**Tax returns:** Providing specificity in requirements for the calculation of net rental income from Schedule E. Sellers may use the new Form 92, *Net Rental Income Calculations – Schedule E,* for the calculations. |
| Section 5306.1(d) | **Establishing the debt payment-to-income (DTI) ratio** | **Subject 2- to 4- unit Primary Residence:** Requirements to establish DTI ratio remain unchanged.  
**Subject 1- to 4- unit Investment Property:** Revising requirements to establish DTI ratio to factor in the principal portion of the Mortgage payment.  
**Non-subject investment property:**  
- Revising requirements to establish DTI ratio to factor in the principal portion of the Mortgage payment.  
- For Borrowers owning multiple non-subject investment properties, specifying that after the net rental income calculation has been applied to each property, the combined result may be added as one figure to either the stable monthly income (if positive) or the monthly liabilities (if negative). |
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| Section 5306.1(e) and Chapter 5304 | IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation | Partnership and S Corporation Rental Income and Expense reported on IRS Form 8825 and IRS Schedule K-1:  
- Adding reference to Chapter 5304 in support of income revisions announced in Bulletin 2016-19  
- Specifying that all Mortgage related expenses must be reported on IRS Form 8825  
- Specifying that all rental real estate held in a partnership or S corporation is treated as self-employed income, regardless of the Borrower’s ownership interest in the business |
| Section 5306.1(f) | Data delivery requirements for rental income | Consolidating ULDD Data Point information into one section. This does not represent a change in requirements. |
| Section 5306.1(g) | Other Guide provisions related to rental income | Providing a comprehensive listing of other Guide provisions related to the rental income topic for ease of reference |
| Section 5401.2(a)(6) | Liabilities included in the monthly debt payment-to-income ratio | Replacing existing language with referrals to Chapters 5304 or 5306, as applicable, for requirements with respect to treatment of mortgage debt when using rental income.  
Making this revision for alignment but does not represent a requirement change. |
| Form 91 | Form 91, Income Calculations | Revising Schedule E rental income calculations and moving to new Form 92 |
| Form 92 | Form 92, Net Rental Income Calculations – Schedule E | Adding Form 92 to support the calculation of net rental income when Schedule E is being used.  
Three categories are provided for use when determining the DTI ratio, as follows:  
- Subject 2- to 4-unit Primary Residence  
- Subject Investment Property  
- Non-subject investment property(s) |
<table>
<thead>
<tr>
<th>Guide reference</th>
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<th>Update</th>
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<tbody>
<tr>
<td>Chapter 5306</td>
<td>Other changes</td>
<td>- <strong>Application inputs:</strong> Removing references to Form 65, <em>Uniform Residential Loan Application</em> inputs for rental income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- <strong>Reserve requirement reference:</strong> Removing reserve requirement reference from subject 2- to 4-unit Primary Residences row and replacing with reference to reserves in Section 5306.1(g)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- <strong>Mortgage file:</strong> Removing references to documentation to be placed <em>in the Mortgage file</em>. Chapter 5301 reference applies to the entirety of Topic 5300.</td>
</tr>
</tbody>
</table>
SUBJECT: AUTOMATED COLLATERAL EVALUATION ELIGIBILITY

As part of our focus on leveraging big data and advanced analytics in our proprietary models to bring greater efficiencies to the loan origination process, this Guide Bulletin announces an expansion of automated collateral evaluation (ACE) eligibility and updates to our list of Mortgages ineligible for ACE, effective September 1, 2017.

PURCHASE TRANSACTIONS

Bulletin 2017-8 announced ACE, which provides Sellers with the option to waive appraisal requirements for certain Loan Product Advisor® Mortgages. The ACE option announced in Bulletin 2017-8 applied only to “no cash-out” refinance transactions.

To further help shorten origination timelines and reduce costs for Sellers and Borrowers while providing greater certainty through collateral representation and warranty relief, as announced in our August 18, 2017 Single-Family News Center article, we are expanding eligibility of this option to include purchase transactions. All requirements for ACE announced in Bulletin 2017-8 apply to purchase transactions.

Guide impacts: Guide Sections 4203.1, 5601.8 and 5601.9

INELIGIBLE MORTGAGES

We are updating the list of Mortgages that are ineligible for an ACE appraisal waiver in Section 5601.9(c)(iv) to include the following:

- Non-arm’s length transactions
- Purchases of REO properties (as identified in the sales contract)
- Texas Equity Section 50(a)(6) Mortgages
- Mortgages with an estimate of value or purchase price greater than $1,000,000

Additionally, Sellers may not accept the appraisal waiver offer if the Seller is aware of adverse physical property conditions identified in the sales contract, property inspection or disclosure from the Borrower that warrant an appraisal being obtained.

Guide impact: Section 5601.9

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
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: TEMPORARY SERVICING REQUIREMENTS RELATED TO BORROWERS AFFECTED BY HURRICANE HARVEY

Freddie Mac is committed to ensuring that Borrowers receive the Mortgage assistance they need to mitigate the devastating impacts of Hurricane Harvey.

We appreciate the understanding and consideration that Freddie Mac Servicers have extended to Borrowers coping with Hurricane Harvey-related hardships. To ensure Borrowers continue to receive the assistance they need during this difficult time, in addition to the requirements of Guide Chapter 8404, we are announcing a temporary suspension of foreclosures and evictions. The temporary requirements announced in this Bulletin apply to Borrowers with Mortgaged Premises or places of employment impacted by Hurricane Harvey in an Eligible Disaster Area.

As we continue to leverage our own on-site visual assessments, damage reports from federal agencies and other resources, Freddie Mac may further refine its temporary disaster relief requirements to appropriately match the evolving needs of homeowners living or working in areas affected by Hurricane Harvey.

EFFECTIVE DATE

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

SUSPENSION OF FORECLOSURES

For Mortgages secured by properties located in Eligible Disaster Areas as a result of Hurricane Harvey, Freddie Mac is requiring Servicers to suspend all foreclosure sales for 90 days beginning on the date that the Federal Emergency Management Agency (FEMA) declared the area to be an Eligible Disaster Area.

SUSPENSION OF EVICTIONS

Freddie Mac is notifying counsel providing default related legal services to suspend all eviction activities for 90 days beginning on the date of this Bulletin for Borrowers with Mortgaged Premises located in an Eligible Disaster Area as a result of Hurricane Harvey. We will continue to assess the damage and will reevaluate our requirements as circumstances dictate.

PROPERTY INSPECTIONS FOR PROPERTIES LOCATED IN AN ELIGIBLE DISASTER AREA AS A RESULT OF HURRICANE HARVEY

Freddie Mac is aware that Servicers may need to conduct a property inspection of the Mortgaged Premises in an Eligible Disaster Area to determine the impacts of the damage. The inspection may not normally be reimbursable by Freddie Mac in accordance with Sections 9202.12 and 9701.9. We will create a process for Servicers to seek reimbursement for the related inspection costs, which will be announced in a future communication.
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,

Yvette W. Gilmore  
Vice President  
Servicer Performance Management
Subject: Selling and Servicing Updates

This Guide Bulletin announces:

Freddie Mac Investor Reporting Change Initiative – Effective May 1, 2019

- Detailed information and updates to our requirements for the Freddie Mac Investor Reporting Change Initiative ("Initiative")

Guide Form 1132, Authorization for Automatic Transfers of Funds Through the Automated Clearing House (ACH)

- Updates to expressly permit delivery of Form 1132 as an Electronic Record (as defined in Guide Section 1401.2) copy to Freddie Mac

Uniform Instruments

- Fannie Mae/Freddie Mac MERS Mortgage Assignment (Form 3749), which must be used to assign Mortgages that are secured by property located in Maine to MERS® – Effective January 1, 2018 (New)

Servicing changes from Bulletin 2017-10

- Changes that impact Servicers from Bulletin 2017-10

Freddie Mac Investor Reporting Change Initiative

Background

In Bulletin 2016-15, we announced the Initiative that will convert our single-family investor reporting requirements to be closer to an industry standard and change our remittance cycles. Bulletin 2017-4 detailed the investor reporting requirements to support the Initiative, including the changes to the Accounting Cycle as well as the remittance cycle, type and method.

The updates in this Bulletin provide Seller/Servicers with additional information they need to plan their transition strategy and test the changes they make to their investor reporting policies and procedures to ensure they are ready to interact with Freddie Mac systems when the Initiative is implemented in May 2019.

The updates provided below are organized by Seller/Servicer impacts and Servicer-only impacts.

Seller/Servicer Impacts

Standard Remittance Cycle

In Bulletin 2017-4, we highlighted that after April 30, 2019 Freddie Mac will no longer utilize the Gold remittance cycle, Accelerated Remittance Cycle (ARC), Super ARC and the First Tuesday remittance cycles. Effective with the implementation of the Initiative in May 2019, the Standard Remittance Cycle will apply to all Mortgages serviced for Freddie Mac.

Sellers that take out Guarantor and MultiLender Swap Contracts with Settlement Dates on and after May 1, 2019 will be able to select only the Standard Remittance Cycle. Cash Contracts with Funding Dates on and after May 1, 2019 will fund with the Standard Remittance Cycle.

Under the Standard Remittance Cycle, monthly principal and interest will be due on the second Business Day following the P&I Determination Date. Freddie Mac will draft the monthly principal and interest directly from the Servicer’s designated Custodial Account on the P&I Draft Date.
Servicers must ensure Freddie Mac receives their reporting prior to 2:00 a.m. Eastern Time on the morning following the P&I Determination Date. The amount drafted will include:

- The forecasted scheduled interest reported in the previous Accounting Cycle
- The actual principal collected and reported after 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the previous Accounting Cycle and
- The actual principal collected and reported prior to 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the current Accounting Cycle

Based on Servicer reporting, Freddie Mac will provide Servicers a Draft Report that provides a cumulative view of the amounts that will be drafted on the P&I Draft Date. A preliminary Draft Report will be available daily in the Freddie Mac Service Loans application and updated based on daily reporting. A final version will be provided on the morning after the P&I Determination Date.

Principal reported to Freddie Mac after 2:00 a.m., Eastern Time on the day following P&I Determination Date will be drafted on the P&I Draft Date of the next Accounting Cycle.

Below is an illustration of the reporting cycle after the Initiative is implemented:

Payoffs will continue to be due on the fifth Business Day after the Mortgage Payoff Date. Note: Seller/Servicers with a negotiated term of business providing for a different payoff remittance due date are not impacted by the Initiative implementation; those terms will continue to be effective.

We are updating the Glossary definition for “Standard Remittance Cycle” to reflect the reporting cutoff time, as follows:

The remittance cycle for which Freddie Mac calculates the actual principal and forecasted scheduled interest based on the Servicer’s loan-level reporting as of 2:00 a.m. Eastern Time on the day following the P&I Determination Date that is due on the second Business Day after the P&I Determination Date. In the Selling System®, this term can be used interchangeably with Standard Remittance Option.

Guide impacts: Sections 8303.3 and 8303.6 and Glossary R-Z

**Servicer impacts**

To prepare for implementation of the Initiative, we are providing:

- Detailed requirements for
New Form 1132A, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House (ACH)

The Customer Testing Strategy

The cutover strategy

- Updates to our Initiative implementation requirements regarding:
  - Monthly loan-level reporting cutoff
  - Calculating Mortgage interest due to Freddie Mac
  - Form 59E, Escrow Custodial Account Monthly Reconciliation Worksheet
  - Reimbursement of Scheduled Principal

Form 1132A, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House (ACH)

Each month, beginning June 2019, Freddie Mac will draft, via ACH transaction, principal and interest payments and payoff proceeds directly from the Servicer’s designated Custodial Account. The existing Form 1132 does not authorize Freddie Mac to draft funds from a Principal and Interest Custodial or Principal and Interest Disbursement Clearing Custodial Account. Therefore, we are introducing a new form, Form 1132A, to allow Servicers to designate the proper Principal and Interest Custodial Account or Principal and Interest Disbursement Clearing Custodial Account and authorize Freddie Mac to initiate debits or credits by electronic transfer against the account.

To authorize Freddie Mac to draft monthly principal and interest payments and payoff proceeds from a Servicer’s designated Custodial Account, or to update previously provided ACH draft account instructions, the Servicer must complete, execute and submit Form 1132A to Freddie Mac as either:

- A paper document, signed by the Servicer’s employee authorized to provide Wire Transfer Instructions (as described in Section 2201.1) (“Authorized Employee”) by regular mail or overnight delivery service in accordance with the mailing instructions contained in the Form 1132A, or

- An Electronic Record (as defined in Section 1401.2) copy, using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the Authorized Employee’s signature (such copy or representation of the Authorized Employee’s signature shall be such Authorized Employee’s adopted Electronic Signature (as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: cashcollections@freddiemac.com.

The account identified on Form 1132A for the payment of principal and interest payments and payoff proceeds and adjustments to such amounts must be a Principal and Interest Custodial Account or a Principal and Interest Disbursement Clearing Custodial Account.

The employee authorized to execute Form 1132A on the Servicer’s behalf must be designated as an “Authorized Employee” on the Servicer’s applicable certificate of incumbency form, Form 988SF-1, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union or Corporation, Form 988SF-2, Certificate of Incumbency for a Limited Liability Company, or Form 989SF, Certificate of Incumbency for a Limited Partnership. As a reminder, as announced in Bulletin 2017-5, all Servicers must submit certificate of incumbency forms and documents to Freddie Mac, and those forms and documents must be determined acceptable to Freddie Mac no later than December 31, 2017. See Section 2201.1 for additional information regarding certificate of incumbency requirements.

For a Servicer’s initial Form 1132A and each subsequent update, Freddie Mac will perform a call back to confirm receipt of authorized ACH instructions and will process a non-dollar transaction using the information provided on Form 1132A to verify the accuracy of the instructions.

To facilitate implementation of the Initiative, Freddie Mac is establishing a staggered submission schedule based on the Servicer’s company name for execution by the Servicer and submission to Freddie Mac of Form 1132A.
Servicers with company names beginning with: | May execute and submit Form 1132A to Freddie Mac:
---|---
A number or the letters A-C | July 1 – August 31, 2018
Letters D-G | August 1 – September 30, 2018
Letters H-N | September 1 – October 31, 2018
Letters O-S | November 1 – December 31, 2018
Letters T-Z | January 1 – February 28, 2019

**Note:** On and after February 28, 2019, Servicers must ensure that Freddie Mac has received and approved current executed Forms 1132 and 1132A because they designate accounts for different drafting purposes. Form 1132 designates the account from which Freddie Mac will draft compensatory and other fees while Form 1132A designates the Principal and Interest Custodial Account or Principal and Interest Disbursement Clearing Custodial Account from which Freddie Mac will draft principal and interest payments and payoff proceeds.

Guide impacts: Sections 2101.12, 2201.1, 8303.3, 8303.6, 8304.2 and Form 1132A

**Customer Testing Strategy**

As part of the Initiative, Freddie Mac will develop a customer test environment to allow Servicers and their vendors to test the updates and changes they make to their systems and verify interoperability with Freddie Mac. On June 12, 2017, Freddie Mac published the **Customer Testing Strategy** on the **Investor Reporting Change Initiative** web page. **All Servicers are strongly encouraged to conduct testing with Freddie Mac** to validate their investor reporting systems are ready to support the Initiative changes.

While all Servicers are strongly encouraged to test their systems, Servicers that report via vendors or subservicers, a proprietary system or the Service Loans application must comply with the following requirements:

If a Servicer…. | Then the Servicer must...
---|---
Uses a vendor or a subservicer to report to Freddie Mac | • Review the Freddie Mac recommended Customer Integrated Testing (CIT) scenarios that apply to the Servicer’s portfolio and its vendor or subservicer’s plan for testing those scenarios
• Determine whether the Servicer or its vendor/subservicer need to develop and test additional CIT scenarios
• Ensure that the Servicer’s portfolio is reflected in the vendor’s testing plan
• Review any adverse testing outcomes with its vendor, including mitigation plans for resolving the defects

Reports through a proprietary system or the Service Loans application | • Review the Freddie Mac recommended CIT scenarios that apply to the Servicer’s portfolio and develop a plan for testing those scenarios with Freddie Mac
• Determine whether the Servicer needs to develop and test additional CIT scenarios
• Review any adverse testing outcomes and develop and test mitigation plans for resolving the defects

CIT scenarios will evaluate cutover (as described below), real time and regression testing. Servicers may test all of their Seller/Servicer numbers and loan numbers for up to 10% of the Mortgages they service for Freddie Mac. While we encourage Servicers to select their Seller/Servicer numbers and loan numbers, if a Servicer does not provide their Seller/Servicer numbers or loan numbers, Freddie Mac will select 10% of the Mortgages the Servicer
services for Freddie Mac that fit the recommended CIT scenarios, but may not include all of their Seller/Servicer numbers.

Registration for CIT will begin in January 2018 and be open to all Servicers. We will announce when the registration window opens on the Investor Reporting Change Initiative web page. We anticipate CIT will begin in August 2018 and continue through March 2019. Additional details regarding testing schedules will be published in future communications.

**Cutover strategy**

In May 2019, Freddie Mac will transition from existing investor reporting requirements to the new Accounting Cycle, daily reporting, and the Standard Remittance Cycle. To make this transition as smooth and efficient as possible, Freddie Mac will utilize an extended 45-day cutover accounting cycle, April 16, 2019 – May 31, 2019. The reporting period for the 45-day accounting cycle is May 16 through June 3, 2019. Servicers must provide loan level reporting for every loan on or before June 3, 2019 even if there was no payment activity beginning on April 16 through May 31, 2019. The cutover reporting strategy timeline is detailed below:

Detailed cutover time frames are provided in Attachment A to this Bulletin, Freddie Mac Investor Reporting Change Initiative Cutover Guidance and Requirements. Servicers should refer to Attachment B to this Bulletin, Freddie Mac Investor Reporting Change Initiative New and Modified Edits by Cutover Time Period, for details on loan level reporting edits and warnings they may encounter during the cutover period.

Servicers can begin the following actions now to prepare for a cutover in May 2019:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Servicer action</th>
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<tbody>
<tr>
<td>Loan inactivation</td>
<td>Inactivate loans that are in foreclosure status</td>
</tr>
<tr>
<td>Archive reports</td>
<td>Begin retaining your remittance related reports that will be retired after the May 2019 deployment</td>
</tr>
</tbody>
</table>
| Cash Overage Balances         | • Develop a strategy to reduce remittance cash overages before the Initiative is deployed  
                               | • At the end of May 2019, any balance on your Remittance Analysis Statement will be refunded |

**Monthly loan-level reporting cutoff**

Once the Initiative is implemented, Servicers are encouraged, but will not be required, to report loan activity daily. Servicers must report at least one loan-level transaction for each Mortgage serviced for Freddie Mac once per month on or before the P&I Determination Date. Freddie Mac considers a loan-level transaction to be reported when it has been transmitted by the Servicer without errors and received by Freddie Mac.
Servicers must ensure Freddie Mac receives their reporting prior to 2:00 a.m. Eastern Time on the morning following the P&I Determination Date. All transactions received by 2:00 a.m. Eastern Time will be processed and drafted on the current Accounting Cycle P&I Draft Date.

Guide impact: Sections 8301.11, 8303.3 and 8303.30

**Calculating Mortgage interest due to Freddie Mac**

Beginning May 21, 2019, Servicers must report the forecasted scheduled interest to be drafted in the next Accounting Cycle based on the interest-bearing Ending UPB of the current Accounting Cycle. We are emphasizing that Servicers must apply all principal payments (i.e., current monthly principal payment, curtailments, and prepayments) received and reported in the current Accounting Cycle before calculating and reporting the forecasted scheduled interest.

Guide impact: Sections 8103.7 and 8301.5

**Form 59E, Escrow Custodial Account Monthly Reconciliation Worksheet**

In support of the Initiative, we are revising Form 59E to align the calculation of the adjusted bank balance and total variance with the new Accounting Cycle. Servicers will now use the ending balance of their bank statement, instead of the mid-month balance, to calculate the adjusted bank balance.

Guide impact: Form 59E

**Reimbursement of Scheduled Principal**

As previously announced, Freddie Mac will convert all scheduled/scheduled Super ARC remittance type loans to scheduled/actual with the Standard Remittance Cycle. After April 30, 2019, since Freddie Mac will no longer utilize the scheduled/scheduled Super ARC remittance type, we will not reimburse Servicers for the guaranteed timely Scheduled Principal paid under the Super ARC remittance cycle, when advanced on a Mortgage that results in an REO, short sale, or other workout or charge-off. As a result, effective May 1, 2019, we will retire expense code 503000 (Principal Reimbursement).

Guide impact: Guide Exhibit 74

**Stay informed and on track**

Freddie Mac will continue to provide information to Seller/Servicers to allow as much time as possible to implement the Initiative. The updates in this Bulletin provide Seller/Servicers with additional information they need to plan their transition strategy and test the changes they make to their investor reporting policies, procedures and systems to verify they are ready to interact with Freddie Mac systems when the Initiative is implemented in May 2019.

To help Seller/Servicers prepare for the Initiative, we have created an [Investor Reporting Change Initiative Getting Ready Checklist](#).

We encourage Seller/Servicers to continue to visit the [Investor Reporting Change Initiative](#) web page periodically for Initiative requirements, technical specifications, the latest Initiative news, and answers to frequently asked questions. Additionally, to receive Initiative updates as they are published, Seller/Servicers should subscribe to the [Single-Family Business News Subscription Center](#).

**FORM 1132, AUTHORIZATION FOR AUTOMATIC TRANSFERS OF FUNDS THROUGH THE AUTOMATED CLEARING HOUSE (ACH)**

We are updating the Guide to expressly permit delivery of an Electronic Record (as defined in Section 1401.2) copy of Form 1132. **Effective immediately**, Seller/Servicers may deliver Form 1132 to Freddie Mac as: (i) a paper form or (ii) an Electronic Record copy attached to an e-mail to cashcollections@freddiemac.com. Form 1132 has also been updated to reflect this change to delivery instructions.

Guide impacts: Sections 6303.2, 8303.34, 8303.35 and 9102.1 and Form 1132
UNIFORM INSTRUMENTS – ASSIGNMENT TO MERS

Effective for Maine Mortgages with Note Dates on and after January 1, 2018; however, originators may implement immediately

On the Uniform Instrument News & Updates web page, we announced that steps were being taken to suspend use of the “MERS as Original Mortgagee” authorized change to the Maine security Instrument (Form 3020). These steps are in response to judicial developments in Maine challenging MERS’ role as nominee for originators (and their assignees) and the absence of a legislative remedy that addresses prospective foreclosures and other mortgage-related enforcement actions.

Effective for Mortgages with Note Dates on and after January 1, 2018, that are to be registered with MERS, and for which the security property is located in the State of Maine, originators must use the new Fannie Mae/Freddie Mac MERS Mortgage Assignment (Form 3749) to assign such Mortgages to MERS.

Mortgages with Note Dates on and after January 1, 2018, that are secured by property located in Maine are ineligible for delivery to Freddie Mac if:

- The Maine Security Instrument (Form 3020) has been modified to name MERS as the original mortgagee of record solely as nominee for the lender; or
- The Mortgage has been assigned to MERS using an assignment form other than Form 3749

The new Maine MERS Assignment form will show a version date of (Form 3749, 8/17) and originators may begin using the new MERS Mortgage Assignment form immediately.

As a reminder, the new assignment form must be used with the standard Maine mortgage form, and may not be used with a Maine mortgage form that has been modified to include the MERS-as-original-mortgagee authorized change.

For more information, visit Freddie Mac’s Uniform Instrument News & Updates web page.

Guide impact: Exhibit 4

CHANGES IMPACTING SERVICERS FROM BULLETIN 2017-10

We are notifying Servicers of the following changes that were announced to Sellers in Bulletin 2017-10:

- Removal of the requirement that a Seller/Servicer retain a wet ink signed assignment of a Mortgage or a modification agreement when those paper documents are electronically recorded
- Clarifications and updates to our requirements for Concurrent Transfers of Servicing
- An updated version of the Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination Form, FEMA Form 086-0-32, Freddie Mac Exhibit 13

Electronic Recording of paper and Electronic closing and post-closing documents

Effective July 12, 2017

As announced in Bulletin 2017-10, based on Seller/Servicer feedback, we have specified that a Seller/Servicer does not need to store the original wet ink-signed paper assignments of Mortgages or modification agreements when such documents are electronically recorded and certain storage and delivery requirements are met. Seller/Servicers may now store Electronic (as defined in Section 1401.2) copies of electronically-recorded paper assignments of Mortgages or paper modification agreements, etc., but must do so securely and ensure such Electronic copies contain all the recording information.

We have also clarified storage and delivery requirements for paper and electronically created closing and post-closing documents that are electronically recorded, as follows:

- Seller/Servicers may store such Electronic copies of such documents as long as the copies or other Recording Confirmations from the Recording Office contain all of the recording information
- Seller/Servicers must still deliver to the Document Custodian or Designated Custodian, as applicable
The original wet-ink signed paper assignments of Mortgages, powers of attorney, modification agreements, etc., that have been electronically recorded; and

Paper copies of such electronically recorded documents or other Recording Confirmations from the Recording Office

We have revised these requirements to create operational efficiencies for Seller/Servicers by reducing some storage costs and making it easier for Servicers to store and retrieve documents, which reduces the risk of lost documents.

After delivery of the Mortgage to Freddie Mac, a Servicer may only enter into paper modification agreements with original wet-ink signatures, except for Electronic modification agreements under the Home Affordable Modification Program (HAMP®). Servicers must comply with the requirements set forth in Section 9205.20 with respect to HAMP eModification Agreements, as defined in Section 9205.20. With respect to non-HAMP eModification Agreements, Servicers may store Electronic copies of such documents provided they deliver to the Document Custodian the original wet-ink signed paper modification agreement and paper copies of any electronically recorded modification agreements.

At this time, Servicers remain subject to the paper document retention requirements set forth in Guide Chapters 3301 and 3302 for those documents that have not been electronically recorded.

Servicer requirements for mortgage modification documents

In connection with these changes, Section 9206.17 has been updated to specify that, if a modification agreement: (i) must be recorded, and (ii) will be electronically recorded, the Servicer must send the original wet-ink signed paper modification agreement to the Document Custodian to be maintained with the Note within 25 days of receiving the executed modification agreement from the Borrower.

Guide impacts

We have updated Sections 1401.14, 1401.15, 2202.4, 6304.1, 6304.3 and 9206.17 to reflect these changes related to Electronic Recording of paper and Electronic closing and post-closing documents.

Concurrent Transfers of Servicing

Seller/Servicers are encouraged to implement the below changes immediately, but must do so no later than October 9, 2017.

As announced in Bulletin 2017-10, in response to Seller/Servicer feedback for processing Concurrent Transfer of Servicing requests, we have clarified:

- Responsibilities between the Seller, the Servicer and the Servicer’s Document Custodian
- When certification of the Notes must be performed

As a result, we updated the Glossary as follows:

- Deleted the term "Transferor Seller"
- Revised the term “Concurrent Transfer of Servicing” as follows:

A Transfer of Servicing initiated by a Seller to a Servicer that occurs, subject to prior Freddie Mac approval, concurrently with Freddie Mac’s purchase of a Mortgage on the Settlement Date: for the sake of convenience, the Seller may be referred to as the “Transferor Servicer” and the Servicer may be referred to as the “Transferee Servicer.” In each instance, the Mortgage is delivered for certification to the Servicer’s Document Custodian.

We have updated Sections 6301.6 and 7101.9, Form 960 and the Glossary to reflect these changes.
Exhibit 13

Effective July 12, 2017

As announced in Bulletin 2017-10, the Federal Emergency Management Agency (FEMA) has revised the Standard Flood Hazard Determination Form, FEMA Form 086-0-32, Freddie Mac Exhibit 13, and extended the expiration date to October 31, 2018. Use of the new form is recommended; however, the previous form with the expiration date May 30, 2015 continues to be acceptable.

We have updated Section 8202.3 and Exhibit 13 to reflect this revision.

GUIDE UPDATES SPREADSHEET


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,

Yvette W. Gilmore
Vice President
Servicer Performance Management
The table below details Investor Reporting Change Initiative ("Initiative") cutover guidance and requirements regarding:

- **Reporting principal and interest**
- **Remittance method**
- **Reporting partial reinstatements**
- **Principal and interest recast**
- **Payoffs**
- **Processing loan modifications**
- **Custodial reconciliation**
- **Compensatory fees**
- **Subsequent Transfers of Servicing**
- **Availability of existing reports in the Freddie Mac Service Loans application**
- **EDR**
- **Newly funded Mortgages**

### Initiative Cutover Guidance and Requirements

**Beginning on April 16, 2019 through April 30, 2019,** Servicers will continue to:

- Report loan-level transactions in accordance with the pre-Initiative accounting cycle, interest calculations and investor reporting requirements
- Remit principal and interest and payoff proceeds due to Freddie Mac via Global Payment Incorporated (GPI) in accordance with the existing applicable remittance option

To support various transition plans, beginning on May 16, 2019 through May 20, 2019, Servicers that report using the Freddie Mac Service Loans application will have the option to report using: (i) pre-Initiative Service Loans application functionality; or (ii) Initiative functionality, which will be visible in the Service Loans application starting May 16, 2019.

<table>
<thead>
<tr>
<th>Time frame</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reporting principal and interest</strong></td>
<td></td>
</tr>
<tr>
<td>May 1 – May 15, 2019</td>
<td>Servicers must only report payoff transactions</td>
</tr>
<tr>
<td></td>
<td>Servicers must not report any other loan level transactions</td>
</tr>
<tr>
<td>May 16 – May 20, 2019</td>
<td>Servicers must report on each loan in their portfolio (principal and interest payments and non-payment activity) beginning on April 16, 2019 through May 15, 2019 using pre-Initiative Servicing requirements. However, Servicers that use the Service Loans application have the option to report principal and interest using the Initiative investor reporting requirements, if they choose to do so.</td>
</tr>
<tr>
<td></td>
<td>Refer to <a href="#">Attachment B, Freddie Mac Investor Reporting Change Initiative New and Modified Edits by Cutover Time Period</a>, to review new and modified edits and warnings that may be triggered during the cutover period</td>
</tr>
<tr>
<td>Time frame</td>
<td>Key points</td>
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<td>----------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tbody>
</table>
| May 21 – June 3, 2019      | • Servicers must begin loan-level reporting using Initiative investor reporting requirements  
                              • Changes to previously reported activity beginning on May 16, 2019 through May 31, 2019 must be submitted as a revision to the prior transaction on or before June 3, 2019. In the revised transaction, Servicers should report all principal collected for the entire month of May 2019 and the scheduled forecasted interest.  
                              • Servicers must clear any outstanding edits on or before June 3, 2019  
                              • Servicers may begin reporting transactions identified for the June Accounting Cycle on June 3, 2019 |
| **Remittance method**      | **May and June 2019**  
                              • Transactions posting due in the month of May will be remitted using Global Payment Incorporated (GPI)  
                              • Any transactions posting due in and after the month of June will be drafted |
| May 16 – May 20, 2019      | Servicers must remit any principal and interest payments, less any adjustments, reported to Freddie Mac by 4:00 pm Eastern Time on May 20, 2019 using Global Payment Incorporated (GPI) |
| May 21 – June 3, 2019      | Freddie Mac will draft any principal and forecasted scheduled interest reported after 4:00 p.m. Eastern Time on May 20, 2019 from the Servicer’s designated Custodial Account on the P&I Draft Date in June 2019 |
| **Reporting partial reinstatements** | On and after May 21, 2019  
                              • For the loans inactivated in the April 2019 accounting cycle and prior, Servicers must begin reporting partial reinstatements on and after May 21, 2019, if a full payment is received from the Borrower  
                              • For the loans that are inactivated in the May 2019 Accounting Cycle, Servicers must begin to report partial reinstatements in the June 2019 Accounting Cycle, if a full payment is received from the Borrower |
| **Principal and interest recast** | May 1 – June 3, 2019  
                              • To report new P&I on a recast loan beginning on May 16, 2019 through May 20, 2019, Servicers must have submitted Form 1102, *Modified Principal and Interest Payment*, on or before May 1, 2019 for Freddie Mac to update the new P&I payment  
                              • On and after May 21, 2019, Servicers must begin submitting Loan Level Reporting exception code 91 (Recast) when reporting recast P&I  
                              • On and after May 21, 2019, for loans with a step rate, Servicers must submit Form 1102 to update all future payment changes and report Loan Level Reporting exception code 91 |
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payoffs</strong></td>
<td></td>
</tr>
</tbody>
</table>
| May 1 – June 3, 2019        | • Beginning on May 1, 2019 through May 20, 2019, Servicers can continue reporting short sales, make-whole pre-foreclosures and charge-offs using Loan Level Reporting exception code 61 (Payoff – Mortgage prepaid)  
• On and after May 21, 2019, Servicers should begin reporting short sales, make-whole pre-foreclosures and charge-offs using new Loan Level Reporting exception code 67 (Short Sale, Make-whole Preforeclosure Sale and Charge-off)  
• Refer to Attachment B to review new and modified edits and warnings that may be triggered during the cutover period  
• For First Tuesday remittance cycle loans that are reported for the May payoff cycle, the monthly interest portion will be due on or before May 21, 2019, instead of June 4, 2019  
• Any May cycle payoff for which the proceeds are due in June (cross-month payoff) will be drafted on the Payoff Draft Date in June 2019 |
| **Processing loan modifications** |                                                                                                                                              |
| May 1, 2019 – May 13, 2019  | Freddie Mac will process loan modification updates on May 13, 2019                                                                        |
| May 14, 2019 – June 2, 2019 | Freddie Mac will not process loan modification updates                                                                                     |
| On and after June 3, 2019   | • On June 3, 2019, Freddie Mac will process all loan modifications pending updates beginning on May 14, 2019 through June 3, 2019  
• On and after June 3, 2019, Freddie Mac will process daily modification updates daily                                                                 |
| **Custodial reconciliation** |                                                                                                                                              |
| May 2019                    | • Custodial reconciliation is suspended for the month of May 2019. Servicers will not be required to complete the Form 59, Principal and Interest Custodial Account Reconciliation Worksheet, or Form 59E, Escrow Custodial Account Reconciliation Worksheet, for the month of May 2019.  
• Servicers are still required to maintain and provide the following to Freddie Mac upon request:  
  ➢ Bank statement  
  ➢ Monthly summary of cash collection                                                                 |

Custodial reconciliation
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Key points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compensatory fees</strong></td>
<td></td>
</tr>
</tbody>
</table>
| May 2019 | • Freddie Mac will not assess the following existing compensatory fees for May 2019 reporting activity:  
  ➢ Reporting Noncompliance – All Loans  
  ➢ Late Reported Payoff Noncompliance  
  ➢ Unreported Transactions and Loan Simulation  
  ➢ Aged Data Errors  
  ➢ Cash Remittance Interest Reimbursement  
  ➢ Contract Noncompliance and Contract Change  
  ➢ EDR Noncompliance  
  • Freddie Mac will not assess the following new Initiative compensatory fees for May 2019 reporting activity:  
  ➢ Delayed Draft Late Payoff  
  ➢ Delayed Draft Insufficient Funds  
  • Freddie Mac will not assess the existing EDR Noncompliance compensatory fee for June 2019 reporting activity |
| **Subsequent Transfers of Servicing** | | |
| January – May 2019 | • Beginning on January 1, 2019 through May 12, 2019, Servicers will not be able to submit Transfer of Servicing approval requests with transfer effective dates of April 16, 2019, May 16, 2019 or June 1, 2019  
  • On and after May 13, 2019, Servicers can submit requests for Transfer of Servicing with an effective date of July 1, 2019  
  • Concurrent Transfers of Servicing will not be impacted by the implementation of the Initiative |
| **Availability of existing reports in the Service Loans application** | | |
| May 1 – May 10, 2019 | The following reports will be available in the current location in the Service Loans application beginning on May 1, 2019 through May 10, 2019:  
  • Remittance Detail Report  
  • Remittance Analysis Amount Due Drilldown  
  • Remittance Analysis Amount Received Drilldown  
  • Seller/Servicer Remittance Analysis  
  • Detail Adjustment Report  
  • Negotiated Payoff Report |
| May 11, 2019 | On May 11, 2019, the following reports will be retired and will no longer be available:  
  • Remittance Detail Report  
  • Remittance Analysis Amount Due Drilldown  
  • Remittance Analysis Amount Received Drilldown  
  Note: It is recommended that Servicers archive the reports that will be retired |
<table>
<thead>
<tr>
<th>Time frame</th>
<th>Key points</th>
</tr>
</thead>
</table>
| On and after May 13, 2019 | Beginning on May 13, 2019, the following reports will be available in a new location in the Service Loans application under the “Cash Management Reports” tab:  
  - Seller/Servicer Remittance Analysis (will be retired after the May reporting cycle closes, June 3, 2019)  
  - Detail Adjustment Report  
  - Negotiated Payoff Report  
  Note: The new Draft Report will be available in the Service Loans application under the “Cash Management Reports” tab on May 13, 2019 |
| EDR                     |                                                                                                                                              |
| May 2019                | Servicers must not report EDR activity beginning on May 14, 2019 through May 31, 2019  
  Servicers must resume reporting EDR activity in accordance with new Initiative requirements on June 3, 2019 |
| Newly funded Mortgages  |                                                                                                                                              |
| May 1 – May 15, 2019    | Servicers must not report newly funded Mortgages, unless the loan is liquidating                                                            |
| May 16 – May 31, 2019   | If no payment is received, the Servicer must not report any activity  
  If a payment is received on or before May 20, 2019, the Servicer must report the principal collected  
  If a payment is received after May 20, 2019, the Servicer must report the principal and the forecasted scheduled interest |
The table below details Investor Reporting Change Initiative ("Initiative") new and modified edits by cutover time period regarding:

<table>
<thead>
<tr>
<th>Edit Number, Type and Description</th>
<th>May 1 – 12 Payoff only</th>
<th>May 13 – 15 Payoff only</th>
<th>May 16 – 20 All Transactions</th>
<th>May 21 – EOM+1 BD All Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0215E (Modified Edit (System Cleared))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>A current DDLPI and the corresponding payment activity are reported on an inactive loan but no reinstatement (exception code 50) is reported. Freddie Mac reinstated this loan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0237E (Modified Edit (Fatal))</td>
<td>Yes - Pre-Initiative Logic</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Loan has matured but is reported with errors. (This edit is being modified to incorporate edit 231, which is being retired.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0242E (New Edit (Fatal))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Loan is not in the fourth Accounting Cycle of Delinquency; inactivation not allowed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0243E New Edit (System Cleared)</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>The loan is in its fourth Accounting Cycle of Delinquency (or more) but no inactivation (exception code 40) was reported. Freddie Mac inactivated this loan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0311E (Modified Edit (Fatal))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Transaction reported is not for the current Accounting Cycle. (This edit is being modified to incorporate edits 301, 302, 312, and 314, which are being retired.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0310W (Modified Edit (Warning))</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Duplicate transaction ignored.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edit Number, Type and Description</td>
<td>May 1 – 12 Payoff only</td>
<td>May 13 – 15 Payoff only</td>
<td>May 16 – 20* All Transactions</td>
<td>May 21 – EOM+1 BD All Transactions</td>
</tr>
<tr>
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<td>----------------------------------</td>
</tr>
<tr>
<td>0400E (Modified Edit (Fatal)) DDLPI is an invalid date or: The prior Accounting Cycle DDLPI day was the first of the month and current reported DDLPI day is not the first of the month; or The prior Accounting Cycle DDLPI day was not the first of the month and the current reported DDLPI day is the first of the month.</td>
<td>Yes - Pre-Initiative Logic for Payoff</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0404E Modified Edit (Fatal) For all NPL liquidations: while reporting a short sale, TPS, or REO (exception codes 67, 70, 71, 72, 73) the DDLPI cannot move from prior Accounting Cycle DDLPI.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0405E (New Edit (Fatal)) No principal should be reported and the DDLPI cannot move after a foreclosure sale result has been reported.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0406E (New Edit (Fatal)) DDLPI reported is later than the next rate adjustment date.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0409W (New Warning) The DDLPI movement reported is not common for the principal reported. Freddie Mac has processed the transaction but additional review for accuracy is recommended.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0411E (Modified Edit (System Cleared)) The last payment received date is incorrect. (This edit is being modified to incorporate edits 410 and 413, which are being retired.)</td>
<td>Yes - Pre-Initiative Logic Payoff Only</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0503E (Modified Edit (Fatal)) The exception date reported is incorrect. (This edit is being modified to incorporate edits: 500, 504, 508, and 510, which are being retired.)</td>
<td>Yes - Pre-Initiative Logic Payoff Only</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>0600E (Modified Edit (System Cleared)) The interest due reported does not match Freddie Mac's expected interest.</td>
<td>Yes - Pre-Initiative Logic for Payoffs</td>
<td>Yes - Payoff Only</td>
<td>Yes Using Pre-or Post-Initiative Interest Calculation</td>
<td>Yes Using Post-Initiative Interest Calculation</td>
</tr>
<tr>
<td>Edit Number, Type and Description</td>
<td>May 1 – 12 Payoff only</td>
<td>May 13 – 15 Payoff only</td>
<td>May 16 – 20* All Transactions</td>
<td>May 21 – EOM+1 BD All Transactions</td>
</tr>
<tr>
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<td>-------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td><strong>0606E (Modified Edit (System Cleared))</strong>&lt;br&gt;In the month of inactivation, the forecasted interest reported must be zero.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0608E (New Edit (System Cleared))</strong>&lt;br&gt;Interest reported on an inactive loan did not match the interest expected for the DDLPI reported.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0700E (Modified Edit (Fatal))</strong>&lt;br&gt;The difference between the Ending UPB from the prior Accounting Cycle and the Ending UPB for current Accounting Cycle does not equal the principal payment reported.</td>
<td>Yes - Pre-Initiative Logic for Payoffs</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0701E (Modified Edit (Fatal))</strong>&lt;br&gt;Principal due reported is less than zero on a loan that does not allow negative amortization. (This edit is being modified to incorporate edit 703 which is being retired.)</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0708W Modified Edit (Warning)</strong>&lt;br&gt;A curtailment reversal/balance correction amount above the threshold of $3,000 is processed. (This does not include payment reversals.) Provide Freddie Mac the necessary documentation.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0713E (Modified Edit (System Cleared))</strong>&lt;br&gt;The Borrower incentive curtailment reported is incorrect. (This edit is being modified to incorporate edits 712 and 714, which are being retired.)</td>
<td>Yes - Pre-Initiative Logic for Payoffs</td>
<td>Yes - Payoff Only</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0715E (New Edit (Fatal))</strong>&lt;br&gt;Principal due reported is less than the Freddie Mac expected amount or the DDLPI did not correspond to the principal payment reported. For example: if two monthly principal payments are reported then the DDLPI should move by two months.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0828E (Modified Edit (Fatal))</strong>&lt;br&gt;The interest bearing UPB reported for the current Accounting Cycle is greater than the original modified/recast interest bearing UPB.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>0910E (New Edit (Fatal))</strong>&lt;br&gt;P&amp;I constant reported does not match Freddie Mac's expected P&amp;I constant.</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Edit Number, Type and Description</td>
<td>May 1 – 12 Payoff only</td>
<td>May 13 – 15 Payoff only</td>
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</tr>
<tr>
<td>0911E (New Edit (Fatal))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Recast exception code submitted with a P&amp;I constant that is either equal to or greater than the previously reported P&amp;I constant. <strong>Note:</strong> For a recast loan, the P&amp;I constant should be less than the previously reported amount.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0912E (New Edit (Fatal))</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>An ARM or interest only (IO) loan P&amp;I constant change is expected but not reported.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0914W (New Warning)</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Recast exception code reported; Freddie Mac has updated the P&amp;I constant.</td>
<td></td>
<td></td>
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</tbody>
</table>
SUBJECT: SELLING REQUIREMENTS RELATED TO PROPERTIES AFFECTED BY HURRICANE HARVEY

This Guide Bulletin announces revisions to our selling requirements for Mortgages secured by properties affected by Hurricane Harvey and provides guidance for originating and underwriting impacted Mortgages that will be sold to Freddie Mac.

AGE OF DOCUMENTATION REQUIREMENTS

The following age of documentation requirements apply to Mortgages secured by properties located in Eligible Disaster Areas affected by Hurricane Harvey that have Application Received Dates on or before, and Note Dates after, August 25, 2017:

- Property valuation documentation, including the point value estimate from HVE® or the new appraisal, as applicable, must be dated no more than 180 days before the Note Date.

- Any required underwriting documentation, including, but not limited to, Loan Product Advisor® Feedback Certificates, credit reports, verifications of income, employment and sources of funds, must be dated no more than 180 days before the Note Date.

  Note: Loan Product Advisor will automatically pull a new credit report for Mortgages that are submitted or resubmitted to Loan Product Advisor 120 days or more after the date of the credit report. The most recent credit report must be used to analyze the Borrower’s credit reputation and determine the Indicator Score, as applicable.

As a reminder, no more than 10 Business Days prior to the Note Date, the Seller must confirm a Borrower's employment by obtaining a 10-day pre-closing verification of employment in accordance with the requirements of Guide Section 5302.2, when applicable. For a self-employed Borrower, the Seller remains responsible for a verification of the current existence of the Borrower's business no more than 120 calendar days prior to the Note Date in accordance with the requirements of Section 5304.1(g).

For Mortgages that meet the requirements above, Sellers may use these temporary requirements in conjunction with their negotiated terms.

FREDDIE MAC RELIEF REFINANCE MORTGAGES℠

Sellers are reminded that for Freddie Mac Relief Refinance Mortgages℠ secured by properties affected by disasters:

- A Seller is not required to obtain a property inspection or new appraisal when a property valuation (either an HVE point value estimate or an appraisal) was relied on prior to a disaster, and

- A Seller can use an HVE point value estimate with a high or medium confidence score after a disaster without obtaining a property inspection or appraisal to determine property condition

This flexibility for Relief Refinance Mortgages does not impact Servicing requirements. Seller/Servicers must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in Guide Chapter 8202, and in accordance with the terms of the Security Instrument and applicable law. See Section 4302.2 for further information.
SPECIAL COLLATERAL REQUIREMENTS AND GUIDANCE

In recognition of the complexity of originating Mortgages under these conditions, Freddie Mac is providing specific requirements and guidance related to Mortgages secured by properties located in Eligible Disaster Areas affected by Hurricane Harvey.

Property damage

As with any disaster, as specified in Section 5601.2(c), the Seller should take appropriate steps, including a property inspection, to determine if a Mortgage remains eligible for sale to Freddie Mac.

The Seller is responsible for determining whether the property was damaged by Hurricane Harvey:

- For Mortgages with Note Dates prior to August 25, 2017 but not yet sold to Freddie Mac, and
- For Mortgages in process as of August 25, 2017

If the Seller determines that the property has been damaged such that the damage impacts the safety, soundness, or structural integrity, the property is not acceptable as security for the Mortgage and the Mortgage is not eligible to be sold to Freddie Mac.

For less severe damage, the Seller may sell the Mortgage to Freddie Mac if the Seller ensures the damage is covered by insurance as required in Chapter 8202 and that the insurance is adequate to protect against future loss as specified in Section 5601.2(c).

Automated collateral evaluation (ACE) appraisal waivers

Sellers may not accept ACE appraisal waiver offers for properties located in zip codes affected by Hurricane Harvey unless the related Mortgage has a Note Date prior to August 25, 2017 and the Seller has confirmed the condition of the Mortgaged Premises has not been adversely impacted by Hurricane Harvey.

Loan Collateral Advisor® – collateral representation and warranty relief

For Mortgages with Note Dates prior to August 25, 2017 that are secured by properties located in zip codes affected by Hurricane Harvey and that received collateral representation and warranty relief through Loan Collateral Advisor, the Seller must take appropriate steps to determine whether the property has been damaged by Hurricane Harvey. Freddie Mac will continue to offer collateral representation and warranty relief if the Seller confirms and documents that the property has not been adversely impacted by Hurricane Harvey and includes such documentation in the Mortgage file.

SYSTEM AND GUIDE UPDATES

The Selling System® will be updated by October 2, 2017 to allow Feedback Certificates and/or appraisal reports dated more than 120 days before the Note Date.

On September 12, 2017, Loan Product Advisor and Loan Quality Advisor will be updated so that Mortgages secured by properties in zip codes affected by Hurricane Harvey will not receive ACE appraisal waiver eligibility. Mortgages in process prior to September 12, 2017 should be resubmitted to Loan Product Advisor to update the eligibility.

The Selling System, Loan Product Advisor and Loan Quality Advisor will also be updated on September 12, 2017 to indicate Mortgages secured by properties in the affected zip codes with Note Dates on or after August 25, 2017 are not eligible for collateral representation and warranty relief (through the ACE appraisal waiver or Loan Collateral Advisor). Sellers will be reminded by Selling System and/or Loan Quality Advisor messages of their obligation to ensure the property’s condition has not been adversely impacted by the disaster.

The Guide will not be updated to include these temporary requirements. Sellers must retain a copy of this Bulletin to ensure compliance with these requirements.
CASH CONTRACTS

Sellers should contact the Cash Desk (571-382-5960 or cash.ex@freddiemac.com) if there are Mortgages in a contract that cannot be delivered prior to contract expiration because the property securing the Mortgage is in an Eligible Disaster Area affected by Hurricane Harvey.

CONCLUSION

As the effects of Hurricane Harvey continue to unfold, and Hurricane Irma impacts Puerto Rico and the U.S. Virgin Islands and potentially the United States mainland, Freddie Mac will continue to monitor developments and provide additional guidance as necessary to support Borrowers whose lives are impacted.

We request that Sellers continue to extend the highest level of understanding to Borrowers coping with Hurricane Harvey-related hardships. The entire mortgage industry, by working together, can help the people affected to rebuild their lives and homes as quickly as possible.

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
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: RELIEF REFINANCE

In our Single-Family News Center article dated August 17, 2017, we notified Sellers that the FHFA has directed Freddie Mac and Fannie Mae to implement a new high loan-to-value (LTV) refinance offering and extend the implementation of the Home Affordable Refinance Program® (HARP®).

This Bulletin contains a high-level summary of some of the requirements for our new, high LTV refinance offering, Freddie Mac Enhanced Relief RefinanceSM, as well as details and Guide updates related to the extension of the current Relief Refinance offerings, our business implementation of HARP.

NEW ENHANCED RELIEF REFINANCE OFFERING

Effective for Mortgages with Application Received Dates on and after November 1, 2018

Overview

Enhanced Relief Refinance Mortgages provide refinance opportunities to Borrowers with existing Freddie Mac Mortgages who are making their Mortgage payments on time but cannot take advantage of the Freddie Mac “no cash-out” refinance offering because the LTV ratio of the new Mortgage exceeds the maximum limits.

Requirements for the Mortgage being refinanced

For the Mortgage being refinanced to be eligible for the Enhanced Relief Refinance offering, the requirements of Guide Section 4304.1(a) must be met. The table below highlights some of these requirements:

<table>
<thead>
<tr>
<th>Mortgage Being Refinanced as an Enhanced Relief Refinance Mortgage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgage eligibility</strong></td>
</tr>
<tr>
<td>The Mortgage being refinanced must:</td>
</tr>
<tr>
<td>• Be owned or securitized by Freddie Mac</td>
</tr>
<tr>
<td>• Have a Note Date on or after October 1, 2017</td>
</tr>
<tr>
<td>• Not be a Freddie Mac Relief Refinance Mortgage</td>
</tr>
<tr>
<td><strong>Seasoning</strong></td>
</tr>
<tr>
<td>At least 15 months must have passed between the Note Date of</td>
</tr>
<tr>
<td>the Mortgage being refinanced and the Note Date of the Enhanced Relief Refinance Mortgage.</td>
</tr>
<tr>
<td><strong>Mortgage payment history</strong></td>
</tr>
<tr>
<td>The Mortgage being refinanced must have a Mortgage payment</td>
</tr>
<tr>
<td>history that indicates the following:</td>
</tr>
<tr>
<td>• The Mortgage has not been 30 days delinquent in the most</td>
</tr>
<tr>
<td>recent six months; and</td>
</tr>
<tr>
<td>• The Mortgage has not been 30 days delinquent more than one</td>
</tr>
<tr>
<td>time in the most recent 12 months</td>
</tr>
</tbody>
</table>

Requirements for the Enhanced Relief Refinance Mortgage

Detailed requirements for the Enhanced Relief Refinance Mortgage are provided in Chapter 4304. The following table highlights some requirements for the new Enhanced Relief Refinance Mortgage:
## Mortgage eligibility

The Enhanced Relief Refinance Mortgage must be:
- A conventional fixed rate Mortgage; or
- A conventional 5-year, 5/1, 7/1 or 10/1 ARM, provided that the Mortgage being refinanced is an ARM, except that a Mortgage secured by a Manufactured Home must not be a 5-year or a 5/1 ARM

Additionally, the Enhanced Relief Refinance Mortgage:
- May be a super conforming Mortgage
- Must not be a Mortgage with a temporary subsidy buydown plan
- Must not be a Texas Equity Section 50(a)(6) Mortgage

## Borrower benefit

The Enhanced Relief Refinance Mortgage must be originated for one of the following purposes:
- A reduction in the interest rate of the First Lien Mortgage
- To replace an ARM with a fixed-rate Mortgage
- A reduction in the amortization term of the First Lien Mortgage
- A reduction in the monthly principal and interest payment of the First Lien Mortgage

## LTV ratios

### Maximum LTV ratios

- If the Enhanced Relief Refinance Mortgage is a fixed-rate Mortgage, there is no maximum LTV ratio requirement
- If the Enhanced Relief Refinance Mortgage is an ARM, the LTV ratio must be less than or equal to 105%

### Minimum LTV ratios

The following minimum LTV ratios apply to Enhanced Relief Refinance Mortgages:

<table>
<thead>
<tr>
<th>Occupancy</th>
<th>Number of units/Property type</th>
<th>Minimum LTV ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Residence</td>
<td>1-unit</td>
<td>95.01%</td>
</tr>
<tr>
<td></td>
<td>2- to 4-unit</td>
<td>80.01%</td>
</tr>
<tr>
<td></td>
<td>Manufactured Home</td>
<td>95.01%</td>
</tr>
<tr>
<td>Second Home</td>
<td>1-unit</td>
<td>85.01%</td>
</tr>
<tr>
<td></td>
<td>Manufactured Home</td>
<td>85.01%</td>
</tr>
<tr>
<td>Investment Property</td>
<td>1-unit</td>
<td>85.01%</td>
</tr>
<tr>
<td></td>
<td>2- to 4-unit</td>
<td>75.01%</td>
</tr>
</tbody>
</table>
**Enhanced Relief Refinance Mortgage**

### Underwriting the Mortgage
- The Enhanced Relief Refinance Mortgage must be underwritten through Loan Product Advisor® or a manual underwriting process
- Except in limited circumstances (e.g., the Borrower’s principal and interest (P&I) is increasing by more than 20% or the Mortgage is a Higher-Priced Mortgage Loan (HPML) or Higher-Priced Coverage Transaction (HPCT)), for an Enhanced Relief Refinance Mortgage:
  - The Seller is not required to verify a Borrower’s income and assets
  - There is no minimum Indicator Score requirement

### Value of the Mortgaged Premises
- When determining the property value for an Enhanced Relief Refinance Mortgage:
  - The Seller may use Home Value Explorer® (HVE®), subject to the requirements of Section 4304.7; or
  - Obtain a new appraisal report based on an interior and exterior property inspection
- In cases where the Seller obtains a new appraisal, the appraisal must be used for the LTV ratio calculation and property eligibility purposes

### Comparison to our current Relief Refinance Mortgage offerings
Many of the features and requirements for the Enhanced Relief Refinance offering are the same as those for our current Relief Refinance Mortgage offerings. However, some differences include:
- Enhanced Relief Refinance Mortgages are subject to minimum LTV ratios
- The Enhanced Relief Refinance offering requirements are the same regardless of whether the Seller was also the current Servicer of the Mortgage being refinanced
- There is no limit on the number of times a Mortgage may be refinanced as an Enhanced Relief Refinance Mortgage, provided that all of the requirements for the offering are met

### Seller representations and warranties
A Seller is relieved from enforcement of certain representations and warranties in connection with an Enhanced Relief Refinance Mortgage. The table below highlights Seller representation and warranty relief related to this offering:

<table>
<thead>
<tr>
<th>Seller representations and warranty relief for the Enhanced Relief Refinance offering</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgage eligibility</strong></td>
</tr>
<tr>
<td><strong>Borrower’s creditworthiness</strong></td>
</tr>
</tbody>
</table>
Seller representations and warranty relief for the Enhanced Relief Refinance offering

| Property valuation | When determining the property value for an Enhanced Relief Refinance Mortgage:  
|                    | • A Seller using an HVE point value estimate is relieved of representations and warranties related to value, condition and marketability  
|                    | • If a Seller obtains a new appraisal, the Seller is relieved of representations and warranties related to condition and marketability, but remains responsible for representations and warranties related to value  
| Selling representation and warranty framework | Enhanced Relief Refinance Mortgages that meet the applicable requirements are eligible for relief from Freddie Mac’s enforcement of selling representations and warranties as described in Section 1301.11(II) |

System and Guide updates

As a result of the implementation of the Enhanced Relief Refinance offering, special requirements for a “no cash-out” refinance of a Mortgage owned or securitized by Freddie Mac, as described in Section 4301.4(c), will be retired in a future Bulletin.

Additionally, Credit Fees in Price related to the Enhanced Relief Refinance offering will be announced in a future Bulletin.

Loan Product Advisor will be updated by November 1, 2018 to accommodate the Enhanced Relief Refinance offering. The Selling System® has been updated to include the new valid value “Enhanced Relief Refinance” for ULDD Data Point Refinance Program Identifier (Sort ID 451) and will be available for delivery by January 1, 2019.

Chapter 4304 and Section 6302.40 have been created to include Mortgage eligibility and delivery requirements for the Enhanced Relief Refinance offering, respectively. Sections 1301.11, 2402.7, 4202.5, 4203.1, 4501.3, 4603.3, 5307.1, 5601.9, 6202.3, 6302.16, 8202.3 and 9201.2 and Guide Exhibits 17S and 34 have been updated to reflect the Enhanced Relief Refinance offering.

RELIEF REFINANCE MORTGAGES

To help ensure that eligible Borrowers have an opportunity to take advantage of refinance benefits otherwise unavailable under our standard refinance offerings, we are extending the expiration date of the Freddie Mac Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access offerings.

Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access must now have Application Received Dates on or before December 31, 2018 and Settlement Dates on or before September 30, 2019.

Additionally, we are updating the documentation requirements for alimony, separate maintenance and child support income types to state that evidence of receipt of the total documented amount, rather than the court ordered amount as previously stated, is required. This revision is made in recognition of the fact that alimony, separate maintenance and child support payments are not always received as a result of a court order, and to better align with the changes to income requirements announced in Bulletin 2016-19.

Guide impacts: Sections 4302.1, 4302.2, 4303.1 and 4303.3
GUIDE UPDATES SPREADSHEET


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
Senior Vice President
Single-Family Sales and Relationship Management
IMPORTANT NOTE: This Guide Bulletin provides updates to Freddie Mac’s standard Servicing policies, and is not directly related to our special requirements designed to assist Borrowers who are impacted by disasters. For information pertaining to special requirements related to Hurricanes Harvey and Irma, refer to Bulletins 2017-14, 2017-16 and 2017-19.

In addition, refer to Guide Chapter 8404 for our standard requirements for Servicing Mortgages impacted by a disaster.

SUBJECT: SERVICING UPDATES

This Bulletin announces:

Borrower hardship, income and other documentation
- Revisions to our requirements related to Borrower hardship, income and other documentation that must be submitted for a complete Borrower Response Package – June 1, 2018

Maintenance and storage of Security Instruments
- Revisions to our requirements regarding Servicer maintenance and storage of Security Instruments that have not been electronically recorded

Expense reimbursement
- Increases to the reimbursable expense limits for the certain expense codes that are associated with the preservation and maintenance of abandoned Mortgaged Premises securing Freddie Mac-owned or guaranteed Mortgages – October 9, 2017
- New expense code 090033 (Clear Boarding – Broken Windows) – September 25, 2017
- The removal of the requirement that the Servicer obtain written pre-approval from Freddie Mac and removal of the functionality to submit a request for pre-approval (RPA) via the Freddie Mac Reimbursement System to extend the number of days to submit a claim for expense reimbursement – September 25, 2017

Additional Guide updates
- Further updates as described in the Additional Guide Updates section of this Bulletin

BORROWER HARDSHIP, INCOME AND OTHER DOCUMENTATION

Effective June 1, 2018; however, Servicers may implement earlier if they are able to do so

At the direction of the FHFA, under the Servicing Alignment Initiative (“SAI”) and jointly with Fannie Mae, we are announcing specific requirement changes related to hardship, income and other documentation that must be submitted for a complete Borrower Response Package. To promote a better Borrower experience and in response to industry feedback, we are:

- Rebranding Guide Form 710 from Uniform Borrower Assistance Form to Mortgage Assistance Application (MAAp) and updating the form. These changes provide a more flexible, streamlined application process for Borrowers and evaluation process for Servicers.
- Reducing the supporting documentation required to substantiate the Borrower’s hardship and income. These changes simplify the solicitation process and improve the Borrower’s experience.
Mortgage Assistance Application
We are revising Form 710 as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Revisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower information</td>
<td>We are:</td>
</tr>
<tr>
<td></td>
<td>• Adding counseling resources, including counseling information for Borrowers with Limited English Proficiency (LEP)</td>
</tr>
<tr>
<td></td>
<td>• Adding preferred contact method information fields</td>
</tr>
<tr>
<td></td>
<td>• Specifying that active duty members with the military includes National Guard and Reserves Servicemembers</td>
</tr>
<tr>
<td>Property information</td>
<td>We are adding a field for Borrowers to specify whether they prefer to keep, sell or transfer ownership of the Mortgaged Premises to the Servicer (i.e., a deed-in-lieu of foreclosure)</td>
</tr>
<tr>
<td>Hardship information</td>
<td>We are no longer requiring:</td>
</tr>
<tr>
<td></td>
<td>• Supporting documentation for disaster hardships</td>
</tr>
<tr>
<td></td>
<td>• Disclosure of detailed information when a Borrower or dependent family member is experiencing long-term or permanent disability, or serious illness. In these instances, the Borrower is required only to provide a written statement or other documentation verifying disability or illness.</td>
</tr>
<tr>
<td></td>
<td>• Disclosure of a business failure, as such a Borrower is likely to experience reduced income</td>
</tr>
<tr>
<td>Monthly household expenses and debt payments</td>
<td>We are no longer requiring collection of monthly household expenses, including non-housing expenses</td>
</tr>
<tr>
<td>Borrower income and required income documentation</td>
<td>We are:</td>
</tr>
<tr>
<td></td>
<td>• Reformattting the income type, amount and required income documentation fields</td>
</tr>
<tr>
<td></td>
<td>• Providing more optionality regarding what types of supporting documentation a Servicer must collect to meet our requirements</td>
</tr>
<tr>
<td></td>
<td>• Reducing, and in some cases eliminating, the required set of supporting documentation for certain income types</td>
</tr>
<tr>
<td>Borrower certification and agreement</td>
<td>We are simplifying the Borrower certification and agreement language</td>
</tr>
</tbody>
</table>

Servicers may send Borrowers a customized equivalent of Form 710 provided it requests the same financial information, hardship information, supporting documentation and attestations from the Borrowers. However, if the Servicer receives Form 710 rather than its customized equivalent, the Servicer must accept Form 710.

Additional requirements
As result of streamlining our hardship and income documentation requirements in Form 710, we are revising the following additional requirements related to Borrower evaluations:
## Borrower income requirements

<table>
<thead>
<tr>
<th>Current requirements</th>
<th>Revised requirements</th>
</tr>
</thead>
</table>

### Tax transcript requirements for Borrowers who are self-employed or are fiscal year tax filers

Servicers must obtain and process IRS Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript*, or IRS Form 4506-T, *Request for Transcript of Tax*, as applicable, to obtain a Borrower’s tax transcript when 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 a signed federal income tax return with all schedules and forms (i.e., Borrowers who are self-employed or file tax returns on a fiscal year basis)**

**Note:** See Bulletin 2017-1 for all circumstances under which the Servicer must obtain and process IRS Form 4506T-EZ or IRS Form 4506-T in lieu of IRS Form 4506T-EZ in this instance.

### Income calculations for establishing gross income

The Servicer must gross up all non-taxable income received by the Borrower if the Borrower can provide documentation verifying that the income is not taxable.

The Servicer must gross up:

- All non-taxable income received by the Borrower only if the Borrower can provide documentation verifying that the income is not taxable; or

- **Net income if the Borrower submits bank statements to support the income type and the information included in the bank statements represents net income**

### Non-Borrower income

Servicers **should** include non-Borrower household income in the monthly gross income if:

- It is voluntarily provided by the Borrower
- **The non-Borrower is a relative, spouse, domestic partner or fiancé**
- The Servicer verifies that the non-Borrower occupies the subject property as a Primary Residence based on a review of a credit report or other documentation (e.g., utility bills, paystubs, benefits statements); and
- Documents support that the income has been, and reasonably can continue to be, relied upon to support the Mortgage payment

All non-obligor or “non-Borrower” household income included in the monthly gross income must be documented and verified by the Servicer using the same standards for verifying a Borrower’s income.

A Servicer must not consider expenses of non-Borrower household members, but may only consider the percentage of such household members’ income that they routinely contribute to the household.

Servicers **must** include non-Borrower household income in the monthly gross income if:

- It is voluntarily provided by the Borrower
- The Servicer verifies that the non-Borrower occupies the subject property as a Primary Residence based on a review of a credit report or other documentation (e.g., utility bills, paystubs, benefits statements); and
- Documents support that the income has been, and reasonably can continue to be, relied upon to support the Mortgage payment

All non-obligor or “non-Borrower” household income included in the monthly gross income must be documented and verified by the Servicer using the same standards for verifying a Borrower’s income.

A Servicer must not consider expenses of non-Borrower household members, but may only consider the percentage of such household members’ income that they routinely contribute to the household.

**Note:** The Servicer is never required to collect or process non-Borrower income information unless requested by the Borrower.
For short sale and deed-in-lieu of foreclosure evaluations of Borrowers who are current or less than 31 days delinquent, the Servicer must:

- Use a credit report to determine the debt obligations for the Borrower; and
- Comply with all other Guide requirements in Section 9208.3 for short sales and Section 9209.3 for deeds-in-lieu of foreclosure to determine debt payment-to-income (DTI) ratios

Guide impacts: Sections 9101.2, 9102.4, 9102.5, 9202.2, 9202.3, 9203.24, 9208.3, 9208.8, and 9209.3, Form 710 and Guide Exhibit 101

**MAINTENANCE AND STORAGE OF SECURITY INSTRUMENTS**

**Effective immediately**

To create operational efficiencies for Servicers by reducing some storage costs and making it easier to store and retrieve documents, we have revised our requirements regarding Servicer maintenance and storage of Security Instruments that have not been electronically recorded.

Servicers may convert paper Security Instruments that are not electronically recorded into Electronic Records (as defined in Section 1401.2), and electronically store and maintain such Security Instruments as Electronic Records in the Servicer’s Electronic storage System (as those terms are defined in Section 1401.2) (Servicer’s “eStorage System”). Such Electronic Records are part of the Mortgage file as Electronic Mortgage file documents. If a Servicer chooses to convert its paper Security Instruments into Electronic Records, it must make certain Servicing representations and warranties to, agreements with, and otherwise indemnify Freddie Mac as set forth in Section 3302.2(b).

For Security Instruments not electronically recorded and stored as paper Mortgage file documents, such Security Instruments must be stored and maintained in the same manner as the original paper documents set forth in Section 3302.2(a).

Guide impacts: Sections 3301.2, 3302.2 and 7101.8

**EXPENSE REIMBURSEMENT**

**Preservation and maintenance of abandoned properties**

**Effective October 9, 2017**

We are increasing the reimbursable expense limits for the following expense codes associated with the preservation and maintenance of abandoned Mortgaged Premises:

<table>
<thead>
<tr>
<th>Expense code</th>
<th>Current reimbursement limit</th>
<th>New reimbursement limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>093005 (Initial Yard Maintenance) (Lots up to 10,000 square feet)</td>
<td>$150</td>
<td>$250</td>
</tr>
<tr>
<td>093004 (Initial Yard Maintenance) (Lots larger than 10,000 square feet)</td>
<td>$300</td>
<td>$400</td>
</tr>
<tr>
<td>094016 (Yard Maintenance) (Lots up to 10,000 square feet)</td>
<td>$100</td>
<td>$180</td>
</tr>
<tr>
<td>094013 (Yard Maintenance) (Lots larger than 10,000 square feet)</td>
<td>$200</td>
<td>$250</td>
</tr>
<tr>
<td>094014 (Trimming Shrubs)</td>
<td>$400</td>
<td>$800</td>
</tr>
<tr>
<td>094015 (Trimming Trees)</td>
<td>$600</td>
<td>$1,000</td>
</tr>
<tr>
<td>191003 (Snow Removal)</td>
<td>$75</td>
<td>$275</td>
</tr>
</tbody>
</table>
Reimbursable expense limits for abandoned properties

<table>
<thead>
<tr>
<th>Expense code</th>
<th>Current reimbursement limit</th>
<th>New reimbursement limit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property Cleaning and Debris Removal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>091002 (Trash Removal or Dumping Fees)</td>
<td>$900</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Securing Abandoned Properties</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 090019 (Securing Padlocks) | • $40 per padlock  
• $80 for all padlocks | • $60 per padlock  
• $120 for all padlocks |
| 090022 (Security Door) | $250 | $600 |
| **Miscellaneous** | | |
| 203000 (Sump Pump/HVAC Repair or Replacement) | $350 | $550 |
| 191033 (Dehumidifier) | $300 | $600 |
| 191035 (Mold Treatment) | $300 | $400 |
| 200001 (Gutter Repair/Cleaning) | $350 | $700 |
| 191019 (Fence Repair) | $300 | $400 |
| 090029 (Extermination-Licensed) | $350 | $500 |
| 090024 (Extermination-Non-Licensed) | $100 | $180 |

Guide impact: Exhibit 57

**Clear boarding broken windows**

**Effective September 25, 2017**

In Bulletin 2017-5, we announced updates to pre-foreclosure sale reimbursement requirements related to expenses associated with clear boarding broken windows for vacant and abandoned properties. To obtain reimbursement for these costs in the Reimbursement System, we temporarily required Servicers to submit expense code 090030 (Boarding/Broken Windows) until we updated the Reimbursement System with a new expense code.

The Reimbursement System will be updated on September 25, 2017 to reflect new expense code 090033 (Clear Boarding – Broken Windows) with an expense limit of up to $2,000 ($2.25 per united inch) for the costs associated with clear boarding. Effective September 25, 2017, Servicers must use expense code 090033 in the Reimbursement System in lieu of expense code 090030 to receive reimbursement for the costs associated with clear boarding.

Guide impacts: Exhibits 57 and 74

**Requests for pre-approval**

**Effective September 25, 2017**

Beginning September 25, 2017, Freddie Mac will no longer require the Servicer to obtain written pre-approval from Freddie Mac by submitting an RPA via the RPA functionality in the Reimbursement System to extend the number of days to submit a claim for expense reimbursement. This applies to all claim submission types (“Loan Modification,” “Non-REO,” “Third Party,” “REO” and “Non-REO w/o GA”).

As a reminder, pursuant to Section 9701.4, Freddie Mac may deny the Servicer’s request for reimbursement or curtail a portion of such expenses if Freddie Mac does not receive the Servicer’s request within the required time frames.
ADDITIONAL GUIDE UPDATES

Notifying Freddie Mac of non-routine litigation

Effective immediately

We are updating our reporting and notification requirements for litigation to clarify that the Servicer must act without delay and notify Freddie Mac within two Business Days of determining that the Freddie Mac Default Legal Matter involves or evolves into non-routine litigation.

Freddie Mac Service Loans application authorized user roles forms

Effective immediately

We are removing the term “Balloon Analyst” from all versions of Form 902 since we no longer offer or own any Balloon/Reset Mortgages.

GUIDE UPDATES SPREADSHEET


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,

Yvette W. Gilmore
Vice President
Servicer Performance Management
TO: Freddie Mac Sellers and Servicers

SubjECt: Selling and Servicing Requirements RelatEd to HurricanE Irma and Certain updatEd Requirements RelatEd to HurricanE Harvey

To ensure Borrowers continue to receive the assistance they need during this difficult time and to provide Sellers with underwriting guidance and flexibilities for impacted Mortgages to be sold to Freddie Mac, this Guide Bulletin announces temporary revisions to our selling and Servicing requirements for certain Mortgages secured by properties, or for Borrowers with places of employment (as applicable), in Eligible Disaster Areas as a result of Hurricane Irma. Additionally, we are updating certain selling and Servicing requirements previously announced in Bulletins 2017-14 and 2017-16 related to Hurricane Harvey.

As a reminder, Freddie Mac defines an Eligible Disaster Area as an area comprised of counties or municipalities that have been declared by the President of the United States to be a major disaster area where federal aid in the form of individual assistance is being made available.

The Guide will not be updated to include these temporary requirements. Seller/Servicers must retain a copy of this Bulletin to ensure compliance with these requirements.

Effective Date

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

Temporary Selling Requirements

The temporary Selling requirements announced in this Bulletin apply to Mortgages secured by properties located in Eligible Disaster Areas impacted by Hurricane Irma.

Age of Documentation Requirements

The following age of documentation requirements apply to Mortgages secured by properties located in Eligible Disaster Areas affected by Hurricane Irma that have Application Received Dates on or before, and Note Dates after, September 10, 2017:

- Property valuation documentation, including the point value estimate from HVE® or the new appraisal, as applicable, must be dated no more than 180 days before the Note Date
- Any required underwriting documentation, including, but not limited to, Loan Product Advisor® Feedback Certificates, credit reports, verifications of income, employment and sources of funds, must be dated no more than 180 days before the Note Date
  
  Note: Loan Product Advisor® will automatically pull a new credit report for Mortgages that are submitted or resubmitted to Loan Product Advisor 120 days or more after the date of the credit report. The most recent credit report must be used to analyze the Borrower’s credit reputation and determine the Indicator Score, as applicable.

As a reminder, no more than 10 Business Days prior to the Note Date, the Seller must confirm a Borrower’s employment by obtaining a 10-day pre-closing verification of employment in accordance with the requirements of Guide Section 5302.2, when applicable. For a self-employed Borrower, the Seller remains responsible for a verification of the current existence of the Borrower’s business no more than 120 calendar days prior to the Note Date in accordance with the requirements of Section 5304.1(g).

For Mortgages that meet the requirements above, Sellers may use these temporary requirements in conjunction with their negotiated terms.
Special collateral requirements and guidance

In recognition of the complexity of originating Mortgages under these conditions, Freddie Mac is providing specific requirements and guidance related to Mortgages secured by properties located in Eligible Disaster Areas affected by Hurricane Irma and updated requirements relating to Hurricane Harvey.

Property damage – Hurricane Irma

As with any disaster, as specified in Section 5601.2(c), the Seller should take appropriate steps, including a property inspection, to determine if a Mortgage remains eligible for sale to Freddie Mac.

For Mortgages with Note Dates prior to September 10, 2017, but not yet sold to Freddie Mac, the Seller is responsible for determining whether the property was damaged by Hurricane Irma.

If the Seller determines that the property has been damaged such that the damage impacts the safety, soundness, or structural integrity, the property is not acceptable as security for the Mortgage and the Mortgage is not eligible to be sold to Freddie Mac.

For less severe damage, the Seller may sell the Mortgage to Freddie Mac if the Seller ensures the damage is covered by insurance as required in Guide Chapter 8202 and that the insurance is adequate to protect against future loss as specified in Section 5601.2(c).

For Mortgages in process as of September 10, 2017, Sellers must determine if the property is acceptable security for the Mortgage.

Property damage – Hurricane Harvey

We are clarifying that for Mortgages in process as of August 25, 2017, Sellers must determine if the property is acceptable security for the Mortgage.

All other property damage requirements provided in Bulletin 2017-16 remain unchanged.

Automated collateral evaluation (ACE) appraisal waivers

Sellers may not accept ACE appraisal waiver offers for properties located in zip codes affected by Hurricane Irma unless the related Mortgage has a Note Date prior to September 10, 2017 and the Seller has confirmed the condition of the Mortgaged Premises has not been adversely impacted by Hurricane Irma.

Loan Collateral Advisor® – collateral representation and warranty relief

For Mortgages with Note Dates prior to September 10, 2017 that are secured by properties located in zip codes affected by Hurricane Irma and that received collateral representation and warranty relief through Loan Collateral Advisor, the Seller must take appropriate steps to determine whether the property has been damaged by Hurricane Irma. Freddie Mac will continue to offer collateral representation and warranty relief if the Seller confirms and documents that the property has not been adversely impacted by Hurricane Irma and includes such documentation in the Mortgage file.

System updates

The Selling System® will be updated by October 2, 2017 to allow Feedback Certificates and/or appraisal reports dated more than 120 days before the Note Date.

On September 18, 2017, Loan Product Advisor and Loan Quality Advisor® will be updated so that Mortgages secured by properties in zip codes affected by Hurricane Irma will not receive ACE appraisal waiver eligibility. Mortgages in process prior to September 18, 2017 should be resubmitted to Loan Product Advisor to update the eligibility.

The Selling System, Loan Product Advisor and Loan Quality Advisor will also be updated on September 18, 2017 to indicate Mortgages secured by properties in the affected zip codes with Note Dates on or after September 10, 2017 are not eligible for collateral representation and warranty relief (through the ACE appraisal waiver or Loan Collateral Advisor). Sellers will be reminded by Selling System and/or Loan Quality Advisor messages of their obligation to ensure the property’s condition has not been adversely impacted by the disaster.
Cash contracts

Sellers should contact the Cash Desk (571-382-5960 or cash ex@freddiemac.com) if there are Mortgages in a contract that cannot be delivered prior to contract expiration because the property securing the Mortgage is in an Eligible Disaster Area affected by Hurricane Irma.

Reminders

Freddie Mac Relief Refinance Mortgages®

Sellers are reminded that for Freddie Mac Relief Refinance Mortgages® secured by properties affected by disasters:

- A Seller is not required to obtain a property inspection or new appraisal when a property valuation (either an HVE point value estimate or an appraisal) was relied on prior to a disaster, and
- A Seller can use an HVE point value estimate with a high or medium confidence score after a disaster without obtaining a property inspection or appraisal to determine property condition

This flexibility for Relief Refinance Mortgages does not impact Servicing requirements. Seller/Servicers must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in Chapter 8202, and in accordance with the terms of the Security Instrument and applicable law. See Section 4302.2 for further information.

Hurricane Harvey

Except as stated above, all temporary requirements and effective dates announced in Bulletin 2017-16 related to Selling requirements for properties affected by Hurricane Harvey remain in effect as announced in that Bulletin.

TEMPORARY SERVICING REQUIREMENTS

Servicers must follow the requirements of Chapter 8404 when Servicing Mortgages for Borrowers whose Mortgaged Premises or places of employment are located in Eligible Disaster Areas, except to the extent the temporary requirements announced in this Bulletin and Bulletin 2017-14 supersede the Guide’s requirements.

As we continue to leverage our own on-site visual assessments, damage reports from federal agencies and other resources, Freddie Mac may further refine its temporary disaster relief requirements to appropriately match the evolving needs of homeowners living or working in areas affected by Hurricane Harvey and Hurricane Irma.

Suspension of foreclosure sales

For Mortgages secured by properties located in Eligible Disaster Areas affected by Hurricane Harvey or Hurricane Irma, Freddie Mac is requiring Servicers to suspend all foreclosure sales beginning on the date that the Federal Emergency Management Agency (FEMA) declared the area to be an Eligible Disaster Area and lasting through December 31, 2017. However, if the Mortgaged Premises was identified as vacant or abandoned prior to either Hurricane Harvey or Hurricane Irma, and the Servicer has completed its property inspection and confirmed that there is no insurable damage or ability to receive FEMA funds on the Mortgaged Premises, the Servicer may choose to proceed with the foreclosure sale on that Mortgage prior to December 31, 2017.

Suspension of evictions

Freddie Mac is notifying counsel providing default related legal services to suspend all eviction activities as of the date of this Bulletin for Borrowers with Mortgaged Premises in locations designated as an Eligible Disaster Area as a result of Hurricane Harvey or Hurricane Irma. We will continue to assess the damage and will reevaluate our requirements as circumstances dictate.

Property inspections for properties located in an Eligible Disaster Area as a result of Hurricane Harvey or Hurricane Irma

As previously announced in Bulletin 2017-14, Freddie Mac is aware that Servicers may need to conduct a property inspection of the Mortgaged Premises in an Eligible Disaster Area to determine the impacts of the
damage. Although the inspection may not normally be reimbursable by Freddie Mac in accordance with the requirements in Sections 9202.12 and 9701.9, we are working to create a process for Servicers to seek reimbursement for the related inspection costs, and will announce this process in a future communication.

A Servicer must order or conduct an exterior property inspection on a Mortgaged Premises in an Eligible Disaster Area, except that a Servicer must order or conduct an interior property inspection if the Servicer (a) has reason to believe that a Borrower has abandoned the Mortgaged Premises in accordance with Section 9202.12, or (b) is ordering or conducting the property inspection in accordance with the insurance loss settlement requirements in Section 8202.11.

CONCLUSION

Freddie Mac is committed to ensuring that Borrowers receive the Mortgage assistance they need to mitigate the devastating impacts for Hurricane Harvey and Hurricane Irma. We appreciate the understanding and consideration that Freddie Mac Seller/Servicers have extended to Borrowers coping with Hurricane Harvey and Hurricane Irma-related hardships.

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
Senior Vice President
Single-Family Sales and Relationship Management
SUBJECT: SELLING UPDATES
This Guide Bulletin announces:

Credit underwriting
- Changes to our requirements for Mortgages when assets are used as a basis for repayment of obligations (formerly referred to as “assets as a basis for Mortgage qualification”)
- Requirements for restricted stock (RS) and restricted stock unit (RSU) income types
- Updates to our asset eligibility requirements

Super conforming 5-year ARMs
- Super conforming 5-year ARMs are eligible for purchase

Appraisal requirements
- Updates to specify that unlicensed, trainee (or similar classification) appraisers may perform the appraisal and sign the appraisal report
- Revisions to our appraisal requirements for super conforming Mortgages
- Removal of the requirement that copies of multiple listing service (MLS) photographs may only be used for comparable sales if original photographs are not available

Owner-occupancy requirements for New Condominium Projects
- Changing the owner occupancy requirement from at least 70% of the total units in the project to at least 50% of the total units in the project

Condominium insurance
- Updates to our requirements for Condominium Unit 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.

CREDIT UNDERWRITING

Assets as a basis for repayment of obligations
Based on Seller feedback and after reviewing our requirements, we are changing and expanding the requirements of Guide Section 5307.1, formerly titled “Assets as a basis for Mortgage qualification.” The changes include, but are not limited to, the following:

New asset types
We recognize that Borrowers may maintain significant funds in securities and depository accounts and may use those funds to pay their monthly obligations. As a result, we are adding depository accounts and securities as eligible asset types, subject to conditions which include, but are not limited to, the following:
We are limiting the use of these accounts to Mortgages in which at least one Borrower is 62 years old or older. Borrowers who are of retirement age are more likely than younger Borrowers to use saved funds to make debt payments as they decrease their participation in the workforce or exit it entirely. Although retirement age may differ from one Borrower to another, we wanted to choose an age which was representative of the majority of cases. Because fair lending laws prohibit discrimination on the basis of age but permit favoring applicants 62 years or older, we set this age as a reasonable approximation for retirement age.

- The Borrower must be the sole owner of the assets, or if the assets are jointly owned, each owner must be a Borrower on the Mortgage and/or on the title to the subject property
- The account, less any portion pledged as collateral for a loan or otherwise encumbered, must be accessible by the Borrower in its entirety as of the Note Date
- Account funds must not be subject to a withdrawal or other penalty, and
- The Seller must document the source of funds for any deposit exceeding 10% of the Borrower’s total eligible assets in depository accounts and securities, and verify that the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the Borrower by the amount of the deposit

**Asset calculation for establishing the debt payment-to-income ratio**

We analyzed historical rates of returns on savings and investments and have removed the requirement that no more than 70% of the balance of an eligible asset be used as a basis for the debt-to-income ratio calculation. The following must be subtracted from the total amount of eligible assets:

- Funds required to be paid by the Borrower to complete the transaction (e.g., Down Payment and Closing Costs)
- Any gift funds and borrowed funds, and
- Any portion of the assets pledged as collateral for a loan or otherwise encumbered

Guide impacts: Sections 4302.2, 4303.3, 4304.5, 5302.5, 5303.5, 5307.1 and 5501.3

**Restricted stock and restricted stock units**

Employers increasingly include RS and RSU as a component of employee compensation. RS are grants of company shares which represent equity interest in the company. RSU are grants valued in terms of company shares that do not represent equity interest in the company. Both RS and RSU are subject to a restriction period during which recipients are not permitted access to granted shares until vesting requirements are met. Vesting requirements are based on varying criteria but the most common types are:

- Performance-based (e.g., a certain percentage of total granted shares vest based on individual or corporate performance), and
- Time-based (e.g., a certain percentage of total granted shares vest after a pre-determined period of employment)

As a result of the increased use of RS and RSU, we are providing requirements and guidance on how to calculate, analyze and document these types of income.

Guide impacts: Sections 4302.2, 4303.3, 4304.5, 5301.1, 5303.3, 5303.4 and 5501.3

**Asset eligibility requirements update**

We are specifying that any stock with limitations on its accessibility is not an eligible source of funds to qualify the Borrower for the Mortgage transaction.

Guide impact: Section 5501.3
SUPER CONFORMING 5-YEAR ARMS

In response to Seller requests and to provide Borrowers with an additional option for Mortgage financing, we have updated our eligibility requirements for super conforming Mortgages to add 5-year ARMs as eligible for purchase. Refer to Guide Chapter 4401 and Guide Exhibit 17S for applicable ARM requirements. As a reminder, all 5-year ARMs are eligible for sale only under the WAC ARM Guarantor Program; they are not eligible under WAC ARM Cash.

If a Seller is not already eligible to sell us 5-year ARMs, it must contact its Freddie Mac Account Representative to obtain the ability to do so.

Loan Product Advisor® has been updated to reflect this change.

Guide impact: Section 4603.3

APPRaisal REQUIREMENTS

Trainee and supervisory appraisers

In response to Seller inquiries we are specifying that an unlicensed or trainee (or similar classification) appraiser may perform and sign an appraisal report in accordance with State law. We are also specifying that an unlicensed or trainee (or similar classification) appraiser may perform a completion report as long as a supervisory appraiser also signs the completion report.

Loan Product Advisor has been updated to reflect this change.

Guide impacts: Sections 5601.3, 5601.5 and 5601.11

Super conforming Mortgages

We are streamlining our appraisal requirements by no longer requiring: (i) an appraisal field review report for super conforming Mortgages when the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio is greater than 75% and the value is $1 million or greater (ii) the use of a lower value and (iii) the appraiser be qualified to perform appraisals without oversight or supervision.

Loan Product Advisor has been updated to reflect this change.

Guide impact: Section 4603.5

Using multiple listing service photographs for comparable sales

Previously, copies of MLS photographs could be used for comparable sales only if the original photographs could not be obtained. Additionally, an explanation was required by the appraiser as to why MLS photographs were being used.

To provide flexibility and create efficiency in the appraisal and underwriting processes, we are removing these requirements and now allow clear electronic images, including copies of MLS photographs, to be used for comparable sales without an explanation from the appraiser.

Guide impact: Section 5601.10

OWNER-OCCUPANCY REQUIREMENTS FOR NEW CONDOMINIUM PROJECTS

Previously, we required at least 70% of the total units in a New Condominium Project (or at least 70% of the sum of the subject legal phase and prior legal phases) must have been conveyed or under contract to purchasers, other than the developer or its successor, who will occupy the units as their Primary Residences or second homes.

In response to Seller inquiries and to provide Sellers more flexibility in delivering Mortgages secured by units in New Condominium Projects, we are revising the owner occupancy requirement to at least 50% of the total units in the project (or at least 50% of the sum of the subject legal phase and prior legal phases).

Guide impact: Section 5701.6
CONDOMINIUM UNIT INSURANCE

In response to Seller/Servicer feedback, we are specifying that an HO-6 unit owner policy is acceptable when the condominium homeowners association (HOA) master policy does not cover the unit or the improvements to the unit.

Section 8202.2 requires Condominium Projects be insured under an HOA master insurance policy. The condominium HOA’s policy must insure buildings and structures in the project, machinery and equipment for the service of the project and fixtures and improvements within the individual unit. The project’s governing documents will provide requirements for the Condominium Unit owner responsibility to insure the unit. To the extent the condominium HOA’s policy does not cover the interior of the unit or the improvements to the unit, the Borrower must maintain an HO-6 unit owner policy. If the HOA’s policy covers the unit as required, an HO-6 would not be needed.

Guide impact: Section 8202.2

ADDITIONAL GUIDE UPDATES

System-specific licenses for Selling tools and systems updates

We are updating Chapter 2402 to:

- Clarify that HVE® data can be shared when required under specified law
- Add Correspondent Assignment Center as a new service offering in the Freddie Mac Loan Advisor Suite®

Additionally, we updated Section 2401.1 to allow a Seller/Servicer to share Authentication Credentials with Related Third Parties (as defined in Section 2401.1(b)).

Guide updates: Sections 2402.2, 2402.3, 2402.4 and 2402.7

Secondary Market Advisor use of the Selling System®

We are updating Guide Form 478 to reflect that Secondary Market Advisors (SMAs) become parties to the Related Third Party Agreement, which is Freddie Mac’s licensing framework for non-Seller/Servicer use of Freddie Mac’s technology platforms, including the Selling System. An SMA, by accessing the Selling System in its role as a Selling Agent, is subject to the Related Third Party Agreement and certain Guide provisions generally applicable to Sellers.

Guide impacts: Section 2403.3 and Form 478

GUIDE UPDATES SPREADSHEET

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  
Senior Vice President  
Single-Family Sales and Relationship Management
SUBJECT: EXTENSION OF CERTAIN HURRICANE-RELATED REQUIREMENTS AND PROPERTY INSPECTION REIMBURSEMENT FOR ELIGIBLE DISASTER AREAS

This Guide Bulletin announces that our temporary selling and Servicing requirements related to Hurricane Harvey and Hurricane Irma in Bulletins 2017-14, 2017-16 and 2017-19 are extended to Mortgages and Borrowers whose Mortgaged Premises or places of employment are located in Eligible Disaster Areas impacted by all hurricanes on and after August 25, 2017 and through the 2017 hurricane season. However, the temporary suspension of foreclosure sales and evictions will only apply to Mortgaged Premises located in an Eligible Disaster Area as a result of Hurricane Harvey, Hurricane Irma and now Hurricane Maria.

In the event of another hurricane, all previously announced selling flexibilities will be available as of the date of the Federal Emergency Management Agency (FEMA) major disaster declaration in Eligible Disaster Areas without further instruction from Freddie Mac. Freddie Mac selling-related systems will be updated as soon as possible after the disaster.

We are also announcing details concerning property inspections and reporting requirements for Mortgages with properties in Eligible Disaster Areas.

TEMPORARY SELLING REQUIREMENTS

Property inspection fee reimbursement

Freddie Mac will reimburse Sellers through September 30, 2018 for property inspections completed prior to the sale or securitization of Mortgages secured by properties in Eligible Disaster Areas as a result of a 2017 hurricane:

- Freddie Mac will reimburse Sellers after the Mortgage has been sold or securitized
- The original appraisal must have been obtained prior to the area having been declared an Eligible Disaster Area
- Freddie Mac will reimburse Sellers for actual inspection costs not to exceed $75 for an individual Mortgage
- The Seller must maintain copies of the inspection invoice(s) in the Mortgage file

More details regarding the reimbursement process will be posted on our Natural Disaster Relief web page. We will follow up with a Single-Family Update e-mail when additional information is available.

TEMPORARY SERVICING REQUIREMENTS FOR MORTGAGES IMPACTED BY HURRICANE MARIA

Suspension of foreclosure sales

For Mortgages secured by properties located in Eligible Disaster Areas affected by Hurricane Maria, Freddie Mac is requiring Servicers to suspend all foreclosure sales beginning on the date that FEMA declared the area to be an Eligible Disaster Area and lasting through December 31, 2017. However, if the Mortgaged Premises was identified as vacant or abandoned prior to Hurricane Maria, and the Servicer has completed its property inspection and confirmed that there is no insurable damage or ability to receive FEMA funds on the Mortgaged Premises, the Servicer may choose to proceed with the foreclosure sale on that Mortgage prior to December 31, 2017.
Suspension of evictions

Freddie Mac is notifying counsel providing default related legal services to suspend all eviction activities as of the date of this Bulletin for Borrowers with Mortgaged Premises in locations designated as an Eligible Disaster Area as a result of Hurricane Maria. We will continue to assess the damage and will reevaluate our requirements as circumstances dictate.

TEMPORARY SERVICING REQUIREMENTS FOR MORTGAGES IMPACTED BY AN ELIGIBLE DISASTER

Reimbursement process for property inspections of Mortgaged Premises in Eligible Disaster Areas

Effective for all property inspections conducted on and after August 29, 2017 of Mortgaged Premises in an Eligible Disaster Area

As announced in Bulletins 2017-14 and 2017-19, Freddie Mac is aware that Servicers may need to conduct a property inspection of a Mortgaged Premises in an Eligible Disaster Area that would not normally be reimbursable in accordance with Guide Sections 9202.12 and 9701.9.

As a result, we are announcing a temporary process for Servicers to seek reimbursement of the actual costs, subject to applicable expense limits, for exterior property inspections completed in accordance with Section 8404.2 and interior property inspections completed in accordance with Section 8202.11.

For exterior property inspections, Servicers must use expense code 404005 (Exterior Property Inspection) with an expense limit of $15. For interior property inspections, Servicers must use expense code 404007 (Interior Property Inspection) with an expense limit of $20.

However, if a Servicer already ordered or obtained a "FEMA inspection" where the cost exceeded the normal expense reimbursement amounts, Freddie Mac will reimburse those amounts if incurred prior to the date of this Bulletin.

Servicers may temporarily submit property inspection reimbursement requests once per month via an Excel® spreadsheet to NPL_Invoices@freddiemac.com. The e-mail subject line should reference “Disaster related property inspection reimbursement request,” and the spreadsheet must include the following information for all Mortgages that a Servicer is seeking reimbursement for that month:

- Freddie Mac Loan Number
- Seller/Servicer Payee Code
- Expense Code
- Reimbursement request amount
- Property inspection expense date paid
- Vendor Name

A Servicer unsure of its Seller/Servicer Payee code should send an e-mail request to 104_Expense@freddiemac.com.

A property inspection completed on a Mortgage that was 60 or more days delinquent would already be required, and so is eligible for reimbursement in accordance with Sections 9202.12 and 9701.9. In this instance, Servicers must submit expense reimbursement requests in accordance with those Guide sections, and not through the temporary process described above.
EDR for Eligible Disasters

We remind Servicers to report:

- All Mortgages that are affected by an Eligible Disaster and are 31 or more days delinquent to Freddie Mac via EDR transmission within the first three Business Days of the month following the month the Servicer learned of the Eligible Disaster
- Default action code 09 (Forbearance) for each month while the disaster forbearance plan status is relevant
- Default action date (report the forbearance plan start date, which date may be prior to the Mortgage becoming 31 or more days delinquent)
- Default reason code 034 (Eligible Disaster Area) for Mortgages where the Borrower’s Mortgaged Premises or place of employment is located in an Eligible Disaster Area
- Default action code AW to notify us of the date of the Servicer’s first quality right party contact (QRPC) with the Borrower, which date must only be reported one time, in the month following the month when the event took place
- Default action code AX to notify us of the date of the Servicer’s last QRPC with the Borrower, which date must only be reported one time, in the month following the month when the event took place


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
Senior Vice President
Single-Family Sales and Relationship Management