SUBJECT: REVISIONS TO INCOME QUALIFICATION REQUIREMENTS

This Guide Bulletin announces revisions to our income qualification requirements and guidance, effective for Mortgages with Settlement Dates on and after March 6, 2017.

The revisions provide more comprehensive requirements and guidance with a focus on matters that impact the analysis of stable monthly income such as:

- Industry employment trends (e.g., employment characteristics)
- Determination of stability and calculation of fluctuating earnings
- Self-employment

Freddie Mac considered Seller inquiries and feedback, broad industry practices and internal review and analysis in developing these updated requirements which will provide greater purchase certainty for our Sellers.

We are updating Guide Chapters 5301, 5302, 5303, 5304, 5305 and 5307, and improving the format through the use of charts, as appropriate. Rental income requirements will be addressed in a future Guide Bulletin.

The following information includes highlights of the changes in each chapter. Additional details are available in Attachment A of this Bulletin, Detailed Summary of Income Qualification Requirements Updates.

CHAPTER 5301, GENERAL REQUIREMENTS FOR ALL STABLE MONTHLY INCOME AND ASSET QUALIFICATION SOURCES

Chapter 5301 is being updated to provide more details on Freddie Mac’s expectation for Seller’s income analysis (e.g., history and continuance), verification, calculation and determination of the stable monthly income qualification amount.

The content of existing Guide Section 5301.1 is split into Section 5301.1 and new Sections 5301.2 and 5301.3.

Guide impact: Chapter 5301

CHAPTER 5302, GENERAL REQUIREMENTS FOR DOCUMENTATION USED TO VERIFY EMPLOYMENT AND INCOME

The revisions to the requirements and guidance in Chapter 5302 include:

- **Signed tax returns** – Adding alternatives for the Borrower’s signature on tax returns (e.g., signed Internal Revenue Service (IRS) Form 8879 evidencing electronic filing)
- **IRS transcripts** – Adding guidance for the use of IRS transcripts
- **Unreimbursed employee expenses** – Adding flexibility by specifying that business expenses must be deducted from the income only when the expenses are associated with commissions greater than or equal to 25% of the income from the commissioned employment
- **Verbal verification of employment (VOE)** – Updating verbal VOE requirements to remove verification of the Borrower’s position and length of employment

The contents of Section 5302.3 are moving to Section 5302.2 and the contents of Section 5302.4 are moving to Section 5302.3.

Guide impact: Chapter 5302
CHAPTER 5303, EMPLOYED INCOME

Income commencing after the Note Date
We are introducing requirements in Section 5303.2(e) that permit income from primary employment that commences no more than 60 days after the Note Date for Borrowers with base non-fluctuating salaried earnings.

Employment characteristics
To support the income analysis, new content in Section 5303.2(d) focuses on requirements and/or guidance for certain employment characteristics. Examples of the employment characteristics include:

- Full-time and part-time employment
- Union members
- Educational employment contracts
- Temporary help services employment
- Income reported on IRS Form 1099
- Employed income from a foreign source

Earnings types requirements
We are adding requirements delineating base non-fluctuating and fluctuating hourly earnings to support the analysis of income stability and calculation.

Additional employed income
We are specifying requirements for commission income that represents less than 25% of the income from the commissioned employment (e.g., tax returns are not required and unreimbursed employee business expenses do not have to be deducted from the income).

Income calculation
To support accurate analysis and calculations, we are updating our employed income calculation guidance and requirements for base non-fluctuating and fluctuating employment earnings.

Streamlined Accept and Standard Documentation Levels
For purposes of the revised income requirements, Streamlined Accept and Standard Documentation Levels will be equivalent for all income types.

Guide impact: Chapter 5303

CHAPTER 5304, SELF-EMPLOYED INCOME
We are revising and reformatting the requirements and guidance in Chapter 5304 to support the analysis and determination of self-employed income. Key changes include:

- Loan Product AdvisorSM – Revising the requirement regarding when to identify that a Borrower is self-employed
- Business financial statements – Adding guidance for use of business financial statements as additional support for business and income analysis
- Rental real estate held in a Partnership and S corporation – Updating Section 5304.1(d) to align with Form 91; specifying that the rental real estate income and expenses reported on IRS Form 8825 may be treated as business income (or loss)
• **Verification of current existence of the business** – When third-party sources are not available, we are adding alternative methods to establish existence of the business

• **Documentation requirements** – The number of years of required tax returns will be based on the number of years the business has been in existence
  - For businesses operating for five or more years, one year of business and personal returns will be required
  - For businesses operating for less than five years, two years of business and personal returns will be required

Guide impact: Chapter 5304

**CHAPTER 5305, OTHER INCOME**

The specific requirements for other income types are being reformatted for ease of use. Updates are being made to certain income types to provide more specific guidance, additional documentation alternatives and broader subject coverage.

Guide impact: Chapter 5305

**CHAPTER 5307, ASSET QUALIFICATION SOURCES**

We are updating our requirements for assets as a basis for Mortgage qualification as follows:

- Increasing the maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio from 70% to 80%
- Permitting Mortgages secured by 2-unit Primary Residences

Guide impact: Chapter 5307

**SYSTEM UPDATES**

The existing feedback messages for Loan Product Advisor will be updated by February 6, 2017 to support the revisions being made with this Bulletin.

**ADDITIONAL RESOURCES**

To help Sellers understand the revisions announced in this Bulletin, Sellers are encouraged to visit the [Freddie Mac Learning Center](http://www.freddiemac.com/singlefamily/guide/docs/bll1619_spreadsheet.xls) to:

- Register for the new "Guide Bulletin 2016-19 Revised Income Requirements" webinar
- Review our [Revisions to Income Qualification Requirements job aid](http://www.freddiemac.com/singlefamily/guide/docs/bll1619_spreadsheet.xls) which shows an outline of the structural revisions and movement within Topic 5300

Additionally, Sellers can view our short video on the [Freddie Mac Guide and Forms web page](http://www.freddiemac.com/singlefamily/guide/docs/bll1619_spreadsheet.xls) which gives an overview of the updates to our income qualification requirements.

**ADDITIONAL GUIDE UPDATES**

The revisions also impact the following:

- Sections 4302.2, 4303.3 and 5102.4
- Form 90

CONCLUSION

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

Sincerely,

Christina K. Boyle
Senior Vice President
Single-Family Sales and Relationship Management
For a detailed explanation of all changes made with Bulletin 2016-19, please review the following tables:

- **Chapter 5301, General Requirements for All Stable Monthly Income and Asset Qualification Sources**
- **Chapter 5302, General Requirements for Documentation Used to Verify Employment and Income**
- **Chapter 5303, Employed Income**
- **Chapter 5304, Self-Employed Income**
- **Chapter 5305, Other Income**
- **Chapter 5307, Asset Qualification Sources**

## CHAPTER 5301, GENERAL REQUIREMENTS FOR ALL STABLE MONTHLY INCOME AND ASSET QUALIFICATION SOURCES

<table>
<thead>
<tr>
<th>Guide reference</th>
<th>Subject</th>
<th>Update</th>
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<tbody>
<tr>
<td>5301</td>
<td>Chapter 5301</td>
<td>• Providing more detail on Freddie Mac’s expectation of the Seller’s income analysis&lt;br&gt;• Dividing Guide Chapter 5301 into three sections and reformatting each section for specificity</td>
</tr>
<tr>
<td>5301.1(a)</td>
<td>Overview: Analysis of stable monthly income amount</td>
<td>Adding an overview of Topic 5300</td>
</tr>
<tr>
<td>5301.1(b)</td>
<td>General requirements for all stable monthly income</td>
<td>Consolidating existing requirements in Sections 5301.1(a) and (b) and renaming the section</td>
</tr>
<tr>
<td>5301.1(c)</td>
<td>Income stability and history requirements</td>
<td>Expanding guidance for the determination of income stability and history requirements. Emphasizing the analysis of the historical and future income characteristics, for example whether the amount of monthly income: &lt;ul&gt;&lt;li&gt;Is a pre-determined fixed amount with guaranteed continued or probable continued receipt, and&lt;/li&gt;&lt;li&gt;Whether and to what degree the income amount may fluctuate&lt;/li&gt;&lt;/ul&gt;</td>
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</table>
### General requirements for all stable monthly income and asset qualification sources

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<th>Guide reference</th>
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<tbody>
<tr>
<td>5301.1(d)</td>
<td>Continuance</td>
<td>Adding charts to categorize existing income continuance requirements as:</td>
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<tr>
<td></td>
<td></td>
<td>• Income and earnings types typically without documentable continuance (likely to continue)</td>
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<tr>
<td></td>
<td></td>
<td>• Income types with documentable continuance</td>
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<td>• Income types that may or may not have documentable continuance,</td>
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<td>depending upon the source (e.g., government program, private insurer) of the specific</td>
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<td>income type (e.g., retirement, long-term disability)</td>
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<tr>
<td>5301.2</td>
<td>General requirements for all stable</td>
<td>Combining existing requirements into this new section for ease of reference</td>
</tr>
<tr>
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<td>monthly asset qualification sources</td>
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<tr>
<td>5301.3</td>
<td>Note Date references</td>
<td>Placing existing text relating to Note Date references into this new section for ease of</td>
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### CHAPTER 5302, GENERAL REQUIREMENTS FOR DOCUMENTATION USED TO VERIFY EMPLOYMENT AND INCOME

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<th>Guide reference</th>
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<tr>
<td>5302</td>
<td>Chapter 5302</td>
<td>Updating documentation requirements and guidance</td>
</tr>
<tr>
<td>5302.1</td>
<td>Introduction to documentation requirements</td>
<td>As a result of revisions to documentation requirements, Streamlined Accept and Standard</td>
</tr>
<tr>
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<td></td>
<td>Documentation Levels will be equivalent for all income types. We are removing the</td>
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<tr>
<td></td>
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<td>references to Streamlined Accept and Standard Documentation Levels in this section.</td>
</tr>
<tr>
<td>5302.2</td>
<td>Employed income documentation verification</td>
<td>Restructuring Section 5302.2(a) through (d) to include only documentation that relates to</td>
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<tr>
<td></td>
<td>requirements</td>
<td>employed income</td>
</tr>
<tr>
<td>5302.2(a)</td>
<td>YTD paystubs</td>
<td>Updating requirements and guidance for year-to-date (YTD) paystubs, for example:</td>
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<td>• Removing the requirement that hand-written paystubs are not permitted and adding</td>
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<td>guidance for paystubs with less than the required information</td>
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<td>Guide reference</td>
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<tr>
<td>5302.2(b)</td>
<td>W-2 forms</td>
<td>Adding year-end paystubs and W-2 transcripts as alternative documentation for W-2 forms</td>
</tr>
<tr>
<td>5302.2(c)</td>
<td>Written VOE requirements</td>
<td>Adding requirements regarding the information that must be included in a written verification of employment (VOE) • If the employer provides additional information, such as the probability of continued employment and/or income and comments, the Seller must consider the information with the income and employment analysis</td>
</tr>
<tr>
<td>5302.2(d)</td>
<td>10-day pre-closing verification (10-day PCV)</td>
<td>• Consolidating all requirements related to verifying the Borrower’s employment 10 days prior to closing • Changing references from “Verbal VOE” to “10-day pre-closing verification (10-day PCV)” • Updating requirements for verbal VOEs to remove verification of the Borrower’s position and length of employment</td>
</tr>
<tr>
<td>5302.3</td>
<td>Third-party verification service providers: employment and income verifications</td>
<td>Adding requirements for determining the date used for compliance with age of documentation requirements</td>
</tr>
<tr>
<td>5302.4(a)</td>
<td>Tax return requirements</td>
<td>Adding alternatives for the Borrower’s signature on tax returns (e.g., signed IRS Form 8879 evidencing electronic filing)</td>
</tr>
<tr>
<td>5302.4(b)</td>
<td>IRS tax transcripts</td>
<td>Adding guidance for the use of IRS tax transcripts</td>
</tr>
<tr>
<td>5302.4(c)</td>
<td>When tax returns are required</td>
<td>Updating the existing list of income types that require tax returns</td>
</tr>
<tr>
<td>5302.4(d)</td>
<td>Unreimbursed employee expenses reported on tax returns</td>
<td>Specifying that business expenses must be deducted from the income only when the expenses are associated with commissions greater than or equal to 25% of the income from the commissioned employment</td>
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## CHAPTER 5303, EMPLOYED INCOME

### Section 5303.2, Primary and secondary employment and income

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| 5303.2(a) | Employment history requirements – primary and secondary employment | • Adding specificity for employment and income history requirements by moving existing requirements into specific sections for primary and secondary employment  
• Updating guidance for making the determination to justify less than a two-year employment and/or income history by adding examples of instances where a history of less than two years may be acceptable |
| 5303.2(b) | Earnings type requirements and guidance | • Adding requirements delineating base non-fluctuating and fluctuating hourly earnings to support analysis of income stability and accurate income calculation.  
- **Base non-fluctuating earnings** – For the purposes of determining stable monthly income, base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon rate of pay and number of hours worked each pay period. Base non-fluctuating earnings may include both exempt (salaried) and non-exempt earnings; however, the pay rate and number of hours worked must not fluctuate between pay periods.  
- **Fluctuating hourly earnings** – For the purposes of determining stable monthly income, fluctuating hourly employment earnings are considered to be employment earnings with hours that may fluctuate each week or pay period. The hours are not pre-determined; however, the employer and the Borrower may have a general expectation of weekly hours. The hourly pay rate is a pre-determined and agreed upon fixed amount. |
### Primary and secondary employment and income

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</table>
| 5303.2(c)       | Documentation requirements | • Restructuring documentation requirements by earnings types  
  ➢ Primary employment earnings:  
    • Base non-fluctuating earnings  
    • Fluctuating hourly earnings  
    • Military base (basic) pay  
  ➢ Secondary employment earnings:  
    • Base non-fluctuating earnings and  
    • Fluctuating hourly earnings  
• For primary employment (including military base (basic) pay), reducing the W-2 requirements from two years to one year  
• As a result of the W-2 update noted above, Streamlined Accept and Standard Documentation Levels will be equivalent for all income types  
• Relocating military base (basic) pay for active-duty military from additional employed income types to this subsection  
• Revising YTD paystub references, as follows:  
  ➢ **From:** YTD paystub or salary voucher documenting at least 30 days of income  
  ➢ **To:** YTD paystub(s) documenting all YTD earnings |

### Employment characteristics

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</table>
| 5303.2(d)       | Introducing new requirements and guidance for employment type characteristics, some of which may be more prevalent in today's labor force but were not specifically addressed previously. The focus is on employment characteristics rather than income type.  
  **Seasonal employment** | Updating the documentation requirements for seasonal employment  
  **Union members** | Adding guidance with respect to certain union members that may work in industries where they may switch employers frequently and the union facilitates the next position, as follows:  
  • Adding guidance for multiple YTD paystubs and W-2s  
  • Adding guidance for obtaining the 10-day PCV when the Borrower is between jobs |
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<tbody>
<tr>
<td>Borrower employed by a family member or by the property seller, real estate broker or other interested party to the transaction</td>
<td>Updating our requirements and guidance, as follows:</td>
<td>Reducing the tax return documentation requirement from two years to one year since the purpose of this requirement is for validation of income based on the non-arm’s-length nature of the employment, not the income type. Deletion the remaining documentation requirements specific to this subject. Sellers must refer to the applicable income type to determine the documentation requirements. Revising the requirements to add “other interested parties to the transaction” (i.e., the requirements apply to all interested parties not only to those listed).</td>
</tr>
<tr>
<td>Employed income from a foreign source</td>
<td>Adding specific requirements for employed income received from foreign sources, as follows:</td>
<td>Complete U.S. federal individual income tax return for the most recent year. The requirements for the specific income type (e.g., base non-fluctuating employed earnings, bonus) continue to apply.</td>
</tr>
<tr>
<td>Employment contracts</td>
<td>Adding requirements and guidance for employment contracts</td>
<td>Adding guidance and requirements with respect to income received from employment with temporary help services.</td>
</tr>
<tr>
<td>Temporary help services employment</td>
<td>Adding guidance and requirements with respect to income received from employment with temporary help services</td>
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<tr>
<td>Income from employers reported on IRS Form 1099</td>
<td>Adding guidance and updating documentation requirements for Borrowers receiving income for services performed that are reported on IRS Form 1099</td>
<td></td>
</tr>
<tr>
<td>5303.2(e)</td>
<td>Income Commencing After the Note Date</td>
<td>Adding requirements to permit income from primary employment that commences no more than 60 days after the Note Date</td>
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## Section 5303.3, *Additional employed income*

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| 5303.3          | History and Stability | Enhancing specificity for existing income history and stability requirements as follows:  
- Expanding guidance to address income history less than two years  
- Adding a requirement that income history may not be less than 12 months  
Refer to income calculations in Section 5303.4 for additional information. |
| Earnings type characteristics | Adding descriptions of fixed earnings and fluctuating earnings |
| Income type chart – Format enhancement | Simplifying the format for the majority of additional employed income types to delineate the following:  
- History of receipt  
- Continuance  
- Calculation requirements  
- Revising YTD paystub references, as follows:  
  - **From:** YTD paystub or salary voucher documenting at least 30 days of income  
  - **To:** YTD paystub(s) documenting all YTD earnings |
| Commissions less than 25% | Adding requirements that apply to commission income that represents less than 25% of the income from the commissioned employment  
- Tax returns will not be required and unreimbursed employee business expenses will not have to be deducted from the income |
| Commissions greater than or equal to 25% | Specifying that existing requirements only apply to commission income that represents greater than or equal to 25% of the income from the commissioned employment |
| Tip income – Cash and charge tips reported on IRS Form 4137 | Adding requirements for cash and charge tip income not reported to the employer but reported on IRS Form 4137 |
### Additional employed income

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</table>
|                 | **Mortgage differential** | • Revising requirements to permit the “housing payment differential” payment from the employer to be considered as qualifying income. The current requirement is limited to “interest differential.”  
• Specifying that monthly differential payments may not be used to offset the monthly housing payment amount |
|                 | **Military entitlements** | • Separating military entitlements from military income for more comprehensive guidance  
• Removing the Standard Documentation Level requirement, which reduces the W-2 requirement from two years to one year  
• Moving option to use a Leave and Earnings Statement as the 10-day pre-closing verification (10-day PCV) to the newly created Section 5302.2(d) that combines all 10-day PCV related requirements. |
| Military Reserve & National Guard | | • New income type category to separate income requirements for Military Reserve and National Guard from military income requirements  
• Adding reference to the National Guard  
• Removing the Standard Documentation Level requirement, which reduces the W-2 requirement from two years to one year  
• Updating history requirement to one year (from none) to appropriately address fluctuating income calculation  
• Moving option to use a Leave and Earnings Statement as the 10-day pre-closing verification (10-day PCV) to the newly created Section 5302.2(d) that combines all 10-day PCV related requirements. |
| Unemployment income associated with seasonal employment | | • Separating seasonal employment requirements from unemployment income requirements since seasonal employment may or may not have unemployment income associated with it  
• Replacing two-year tax return requirement with the IRS Form 1099-G (or equivalent), to cover two years of receipt  
**Note:** Refer to Section 5303.2(d) for seasonal employment.
### Section 5303.4, *Employed income calculation guidance and requirements*

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<tbody>
<tr>
<td>5303.4(a)</td>
<td>Base non-fluctuating employment earnings</td>
<td>Updating section to pertain only to base non-fluctuating employment earnings</td>
</tr>
<tr>
<td>5303.4(b)</td>
<td>Fluctuating employment earnings</td>
<td>Adding requirements and guidance for the determination of stability and calculation of fluctuating earnings</td>
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### CHAPTER 5304, *SELF-EMPLOYED INCOME*

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<tbody>
<tr>
<td>5304</td>
<td>Chapter 5304</td>
<td>Revising and reformatting the requirements and guidance to support the analysis and determination of self-employed income</td>
</tr>
<tr>
<td>5304.1(a)</td>
<td>Self-employed Borrower definition and verification of ownership interest percentage</td>
<td>Adding specificity for the documentation required (e.g., business returns, Schedule K-1, IRS Form 1125-E) to verify the ownership interest percentage for partnerships, S corporations and corporations</td>
</tr>
<tr>
<td>5304.1(b)</td>
<td>Loan Product Advisor&lt;sup&gt;SM&lt;/sup&gt;</td>
<td>Revising the requirement to identify self-employment in Loan Product Advisor to apply only when the self-employment income and/or loss is used to determine the Borrower’s stable monthly income</td>
</tr>
<tr>
<td>5304.1(c)</td>
<td>Self-employment history requirements</td>
<td>• Restructuring self-employment history requirements for ease of use</td>
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<td>• Adding guidance for analyzing history that does not meet the two-year requirement</td>
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</tbody>
</table>
• **Business and income analysis**: Developing a new subsection blending existing and new information with respect to the high-level content of a business analysis. Including guidance for documentation that may be used to complete the analysis. Section overview as follows:
  - Business review and analysis – revised to more comprehensively address factors such as business analysis based on gross receipts, cost of goods and expenses, liquidity, distributions, and additional documentation that may be obtained to support analysis (e.g., business bank statements and financial statements)
  - Adding specificity for the permissible use of business income as stable monthly income based on whether the business income is reported on the Borrower’s federal individual income tax returns
  - Access to business income – Updating the requirements to define, by business structure, when verification of access to business income is required. For instance:
    - For ordinary income from partnerships and S corporations, the access to business income requirement (through a corporate resolution or comparable document) has been removed
    - For business income not reported on federal individual income tax returns, the requirement has been changed to confirm the corporate resolution or partnership agreement does not restrict access, rather than confirm access
• **Business financial statements**
  - Adding guidance for use of business financial statements as additional support for business and income analysis
  - Financial statements may be used to help support the analysis of subjects such as business liquidity, income stability when tax returns are on extension, evaluating a newer business, and the impact of business fund withdrawals
• **Rental real estate income and expenses reported on IRS Form 8825**: Adding content for rental real estate held in a partnership or S corporation to support the current treatment of this income as business income or loss in the income analysis section of Form 91
| 5304.1(e) | Self-employment income not used for qualification | • Self-employment disclosed on Form 65, Uniform Residential Loan Application (or other documentation) but not used to qualify  
  ➢ Updating requirements to state that if the Borrower qualifies with a reported loss, then no further analysis is needed. Sellers no longer need to obtain additional documentation to more fully evaluate the impact of the business loss.  
  ➢ Reducing complete federal individual income tax return requirement to pages one and two and the applicable IRS schedule(s); adding examples to support evaluation of loss impacts  
  ➢ Adding reference to IRS tax transcripts (Section 5302.4(b)) for alternative documentation possibilities
  • Positive income from self-employment that is not used to qualify: Additional information will not be required when documents such as IRS transcripts or Schedule K-1s show positive self-employment income but that income is not used to qualify |
| 5304.1(f) | Business assets used for closing | Adding guidance for analysis when determining whether the use of business assets for closing will have a detrimental impact on the business (e.g., review of business financial statements and/or business bank statements to support business viability) |
| 5304.1(g) | Verification of current existence of the business | Updating requirements and providing more specificity as follows:  
  • Verification of current business existence will be required only when positive self-employment income is used to qualify rather than for all self-employment income or loss  
  • Adding guidance for alternative methods, such as business bank statements, to establish existence of the business when third-party sources are not available  
  • The date requirements for the verification to be completed are changing from no more than 30 days prior to the Note Date to no more than 120 days prior to the Note Date |
| 5304.1(h) | Documentation requirements | Updating the documentation requirements to base the number of years of tax returns required (business and personal) on the number of years the business has been in existence  
  • For businesses operating for five or more years, one year of business and personal returns will be required  
  • For businesses operating for less than five years, two years of business and personal returns will be required |
### CHAPTER 5305, OTHER INCOME

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<th>Guide reference</th>
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</table>
| 5305            | Chapter 5305 | Enhancing the format for the majority of other income types to delineate the following:  
- History of receipt  
- Continuance  
- Calculation requirements |
| 5305.2          | Notes receivable | Specifying that the full scheduled payment amount documented on the Note may be used for qualification purposes |
|                 | Dividends and interest | Adding a documentation alternative of year-end bank statements for the most recent two years in lieu of tax returns |
|                 | Royalty payments | Revising requirements to be based on the length of history of receipt |
|                 | Trust income | Revising requirements to be based on whether the trust income payments are fluctuating historical payments or pre-determined fixed payments |
|                 | Retirement income | Adding a reference to specific requirements for retirement account distributions as income |
|                 | Alimony, child support and/or separate maintenance | Specifying that a legally binding separation agreement and/or final divorce decree is acceptable documentation |
|                 | Other income – foreign sources |  
- Adding specific requirements for other non-employment and non-self-employment income received from foreign sources. The requirements for the specific income type continue to apply.  
- Complete U.S. federal individual income tax return for the most recent year must be provided |
|                 | Tax-exempt income | Revising text as follows:  
To determine the amount to adjust (i.e., “gross-up”) the Borrower’s income, use:  
- 25% of the tax exempt portion of the income or  
- The current federal and state income tax withholding tables |
### CHAPTER 5307, ASSET QUALIFICATION SOURCES

<table>
<thead>
<tr>
<th>Guide reference</th>
<th>Subject</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>5307.1(a)</td>
<td>Mortgage eligibility requirements</td>
<td>Permitting Mortgages secured by a 2-unit Primary Residence</td>
</tr>
<tr>
<td></td>
<td>Maximum LTV/TLTV/HTLTV ratio</td>
<td>Increasing the maximum loan-to-value (LTV)/ total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio from 70% to 80%</td>
</tr>
<tr>
<td>5307.1(d)</td>
<td>Data delivery requirements</td>
<td>Adding a cross-reference to Section 6302.33 for current Uniform Loan Delivery Dataset delivery requirements</td>
</tr>
</tbody>
</table>
SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Properties with solar panels

- Requirements for properties with solar panels – March 1, 2017 (New)

Trended credit data

- Trended credit data must be excluded by Sellers during the credit assessment for Manually Underwritten Mortgages and will not be used by Freddie Mac during postfunding quality control reviews

Living Trust Borrowers

- Reorganizing and reformatting of our requirements for Living Trust Borrowers for ease of reference

Monthly debt payment-to-income ratio

- Updates to our monthly debt payment-to-income ratio requirements – March 1, 2017

Additional Guide updates

- Further updates and revisions 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.

PROPERTIES WITH SOLAR PANELS

Effective for Mortgages with Settlement Dates on and after March 1, 2017

Homeowner interest in solar panel systems has grown in the past decade and we have begun to receive questions from Sellers about the eligibility of Mortgages secured by properties with solar panels. To assist Sellers with the underwriting of these Mortgages and in support of this segment of the market, we are updating the Guide to:

- Establish property eligibility requirements for Mortgages secured by properties with solar panels owned by the Borrower
- Establish property eligibility requirements for Mortgages secured by properties with solar panels that are owned by a third party and subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement
- Revise underwriting requirements to permit the exclusion of payments for solar panels from the Borrower’s debt payment-to-income ratio, under certain conditions; and
- Update appraisal requirements for the valuation of properties with energy features and for high-performing energy-efficient properties

Visit the following web pages for Seller resources related to energy-efficient properties and the appraisal of properties with energy-efficient features:

- Resources provided by The Appraisal Foundation
- The Home Energy Rating System (HERS® Index) provided by the Residential Energy Services Network (RESNET®)
• The Home Energy Score provided by the U.S. Department of Energy’s Better Buildings® initiative

Guide impacts: Guide Sections 5401.2, 5601.2, 5601.3 and 5601.12

TRENDED CREDIT DATA

Recently, Equifax® and TransUnion® began providing trended credit data in credit reports. Trended credit data is expanded credit information reflecting historical Tradeline data such as balances, scheduled payments and actual payments reported for each month over an extended period of time.

Freddie Mac is still studying trended credit data and its impact on the Borrower’s creditworthiness and Mortgage performance. At this time, we are not incorporating trended credit data into Loan Product AdvisorSM or our requirements for Manually Underwritten Mortgages.

Consequently, we are updating the Guide to state that trended credit data:

• Must not be considered by Sellers during the credit assessment for Manually Underwritten Mortgages; and

• Will not be considered by Freddie Mac during postfunding quality control reviews

Guide impacts: Sections 3401.1, 5202.3 and 5202.4

LIVING TRUST BORROWERS

As a follow-up to the Guide reorganization and in response to Sellers’ questions and feedback, we reviewed Guide sections relating to a Living Trust Borrower and are reorganizing and reformatting the requirements for ease of reference. For example, we have placed the Note and Security Instrument signature requirements into tables and divided Guide Exhibit 9, Signature and Acknowledgment Forms for Living Trusts, into separate exhibits for Note and Security Instrument signature requirements.

There are no changes to our current requirements.

Guide impacts: Sections 4101.8, 5103.5 and 6302.9, Exhibits 9A and 9B and the Glossary

MONTHLY DEBT PAYMENT-TO-INCOME RATIO

Effective for Mortgages with Settlement Dates on and after March 1, 2017

We are updating the Guide to require that all monthly lease payments (not only car lease payments, as previously provided) be included in the monthly debt payment-to-income ratio.

Guide impact: Section 5401.2

ADDITIONAL GUIDE UPDATES

Concurrent Transfers of Servicing

Based on Seller/Servicer feedback, we are updating Guide Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages, to remove the reference to a Seller/Servicer’s Master Commitment number and Master Commitment Amount. Additionally, we are updating Section 7101.2 to align with operational practices and remind Seller/Servicers that Freddie Mac’s approval of multiple Concurrent Transfer of Servicing requests does not constitute approval for a Seller/Servicer to exceed their Master Commitment Amount.

Guide impacts: Section 7101.2 and Form 960

Form 15/A/C

In connection with the purchase of Mortgages for cash and under the Guarantor and MultiLender Swap programs, Freddie Mac generates one of the following forms in the Selling SystemSM which summarize the pertinent Mortgage data and include a computation of the amount to be funded to the Seller:

• Form 15, Loan Purchase Statements for Cash sales (Fixed-rate Cash and WAC ARM Cash)
- Form 15A, Settlement Summary for fixed-rate Guarantor and MultiLender Swap (Gold PC®s)
- Form 15C, Settlement Summary for WAC ARM Guarantor (WAC ARM PCs)

We are updating the Guide sample Forms 15, 15A and 15C to reflect the applicable forms generated by and accessible to the Seller in the Selling System as the current Guide sample forms are outdated.

Guide impact: Form 15/A/C

**Uniform Instruments**

We are updating Exhibit 4, *Single Family Uniform Instruments*, and Exhibit 5, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, to reflect revision dates for the Massachusetts and Rhode Island Mortgages related to the recent changes in State law regarding homestead estates. For more information, visit Freddie Mac's [Uniform Instrument News & Updates web page](http://www.freddiemac.com/uniforminstrumentnews/). In addition, as announced in Bulletin 2014-12, Freddie Mac has removed all ARM Notes and ARM Riders with lookback periods less than 45 days since these ARMs are not eligible for sale to Freddie Mac. We are updating Exhibit 4 to remove these ARM Notes and ARM Riders.

Guide impacts: Exhibits 4 and 5

**Document Custody Procedures Handbook**

Bulletin 2016-12 announced revised Freddie Mac/Fannie Mae ARM Notes and Riders and Freddie Mac ARM Notes and Riders that impose a Lifetime Floor equal to the ARM’s Margin effective for ARMs with a Note Date on or after October 1, 2016.

As stated in Bulletin 2016-12, there are no new verification elements for Document Custodians to certify ARMs with Lifetime Floors except regarding ARMs originated using Fannie Mae ARM Notes and ARM Riders amended to add a Lifetime Floor.

This Bulletin announces that the Document Custody Procedures Handbook has been updated to reflect these changes.

**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 at (800) FREDDIE.

Sincerely,

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

This Guide Bulletin announces:

Third-party foreclosure sales

- Updates to our requirements for submitting all required data for settling third-party foreclosure sale transactions via Workout Prospector®

Remittance requirements

- Updates to our remittance requirements for deeds-in-lieu of foreclosure and charge-offs

Evidence of insurance

- Expansion of our evidence of project-level insurance requirements for condominiums, cooperatives and Planned Unit Developments (PUDs) to allow additional options

Forms 16SF and 1107SF

- Updates to Forms 16SF and 1107SF – January 27, 2017

Additional Guide updates and reminders

- Further updates and reminders as described in the “Additional Guide Updates and Reminders” section of this Bulletin

EFFECTIVE DATE

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

THIRD-PARTY FORECLOSURE SALES

We are updating Guide Section 9301.43 to reduce potential delays associated with settling third-party foreclosure sale transactions via Workout Prospector.

When submitting all required data for settling a third-party foreclosure sale transaction via Workout Prospector pursuant to Section 9301.43, the Servicer must submit the transaction no later than the 15th Business Day following the Servicer’s receipt of the sale proceeds. The previous requirement was no later than the 10th Business Day following the Servicer’s receipt of the sale proceeds.

This additional time will help Servicers avoid edits that may otherwise result from a Servicer’s attempt to complete the reporting and remittance requirements pursuant to Section 8303.10, which, in turn, will aid Servicers in settling third-party foreclosure sale transactions successfully via Workout Prospector. We have also updated the Resolving Loan-Level Edits Quick Reference Guide to help prevent these edits from reoccurring.

As a reminder, a Servicer does not need to settle a third-party foreclosure sale transaction via Workout Prospector if the net sale proceeds meet or exceed the total indebtedness of the Mortgage (e.g., the UPB of the Mortgage plus accrued interest, Escrow advances and expenses).

Guide impact: Section 9301.43
REMITTANCE REQUIREMENTS

We are updating the Guide to reflect that the required remittances for short sales, deeds-in-lieu of foreclosure, charge-offs and other remittances pursuant to Section 9701.20, may be sent via wire transfer or check within the time frames prescribed in the Guide.

Additionally, the following remittance requirements have been updated:

- Deed-in-lieu of foreclosure remittances must be submitted to Freddie Mac following completion of the reporting requirements in Section 9209.8(a)(3), but no later than six Business Days of the Servicer’s receipt of the executed deed or, for a leasehold Mortgage, the executed lease assignment or a new lease.
- Charge-off remittances must be submitted to Freddie Mac, regardless of whether the lien is released or not released on a charge-off of a Mortgage, following completion of the reporting requirements in Section 9210.5(b), but no later than three Business Days of the Servicer’s receipt of Freddie Mac’s approval of the charge-off request.

Guide impacts: Sections 9208.8, 9209.8, 9210.5, 9210.6 and 9701.20 and Directory 5

EVIDENCE OF INSURANCE

The FHFA has directed Freddie Mac and Fannie Mae to expand evidence of project-level insurance requirements for condominiums, cooperatives and PUDs. As a result, Freddie Mac is now allowing Servicers to obtain a blanket insurance policy or an agreement with an insurer to issue insurance that provides unit owner coverage and loss assessment coverage in the event of an uninsured loss.

These are additional options available for Servicers which are intended to provide relief for a Servicer when it is unable to obtain evidence of insurance for a Condominium Unit, unit in a PUD or, where applicable, a cooperative unit (if permitted by the Seller’s negotiated Purchase Documents). Servicers may choose to continue their current processes for meeting our requirements for evidence of insurance.

These options do not relieve Servicers of the responsibility of ensuring that all insurance coverages required in Topic 8200 and any other Purchase Documents are met. The requirements for evidence of insurance in negotiated terms of business (TOBs) that permit the sale to, and Servicing of, Cooperative Share Mortgages for Freddie Mac are not being changed by the revisions to Section 8202.8, except that such TOBs are deemed amended to reflect the additional options described in this Bulletin and in Section 8202.8.

Guide impact: Section 8202.8

FORMS 16SF AND 1107SF

Effective January 27, 2017

We periodically review and adapt Forms 16SF and 1107SF to meet changing needs. As a result of our most recent review, we are updating Forms 16SF and 1107SF to add a new section for Seller/Servicers to provide a list of all States, which include the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands, in which the Seller/Servicer is licensed to conduct business, together with its license number. Seller/Servicers that are nationally chartered will only need to provide their national registration number.

Additionally, we have corrected the issue that prevented scrolling fields and certain other fields from fully appearing on the printable version of the completed forms. When printing a copy of either form for Seller/Servicer records all information in these fields will now be visible.

For clarity and ease of use, we are making additional changes to Form 16SF, including:

- Adding a new field to require an explanation when a Seller/Servicer indicates that a change has occurred with a Document Custodian or funds custodian relationship.
- Adding a new section that will permit Seller/Servicers to designate up to five additional persons to receive Form 16SF reminders and late notices.
• Making the “Certification, Consent and Agreement” language available for review prior to completion of the form by selecting it in the navigation section

• Adding two new questions in the origination section for Seller/Servicers to indicate if they use a vendor for pre- and postfunding quality control reviews

• Adding the ability to reopen a form once submitted to make a correction if reported to Freddie Mac the day of the submission

Seller/Servicers that have a draft Form 16SF or 1107SF saved on or after January 27, 2017, will be unable to submit either form until providing the information in the new fields. Beginning January 27, 2017, the new fields must be completed prior to submission.

If a Seller/Servicer has completed and submitted Form 16SF prior to January 27, 2017, it is not required to resubmit to account for these updates. When reporting organizational changes after January 27, 2017, the updated Form 1107SF will be required.

Guide impacts: Forms 16SF and 1107SF

ADDITIONAL GUIDE UPDATES AND REMINDERS

Closing requirements for charge-offs

As a result of Servicer feedback and to provide Servicers with adequate time, Servicers may now complete the closing requirements for a charge-off pursuant to Section 9210.5 within seven Business Days of receiving Freddie Mac’s approval of the charge-off request, as opposed to three Business Days.

Guide impact: Section 9210.5

Suspension, disqualification or termination of the Servicing Agent

We are revising Section 8102.1 to indicate that, in situations where there has been a suspension, disqualification or termination of a Servicing Agent as a Freddie Mac Servicer, the Master Servicer may find it necessary to facilitate a transfer to a new Servicing Agent rather than back to itself. The Master Servicer must obtain Freddie Mac approval prior to such a transfer.

Guide update: Section 8102.1

Updated instructions for filing IRS Forms 1099-A and 1099-C

The Internal Revenue Service (IRS) has revised its instructions for filing IRS Forms 1099-A, Acquisition or Abandonment of Secured Property, and 1099-C, Cancellation of Debt. We are updating our guidelines and Guide Forms 1065, Report of IRS Form 1099-A and Form 1099-C Filing, and 1065A, Report of IRS Form 1099-A and 1099-C Filing for a Senior Subordinate Trust, to align with the revised IRS 2016 instructions.

Guide impacts: Sections 8106.3, 8106.4, 8601.9, 8601.10 and Forms 1065 and 1065A

References to (800) FREDDIE

The Customer Support team at (800) FREDDIE recently changed their call menu options for Seller/Servicers. These changes were made to:

• Align more closely with the flow of a Mortgage

• Incorporate Loan Advisor Suite™ tools, which is a driver of customer calls

• Improve the routing efficiency and the customer experience (reduce wait times, increase first call resolution)

As a result of the changes to the phone menu options, we have removed references to specific menu options from references to (800) FREDDIE in the Guide.

Guide impacts: Sections 8101.1, 8301.9, 8301.10, 8302.15, 8302.17, 8302.19, 8303.31, 8303.44, 8304.8, 9205.8, 9206.10, 9208.7, 9209.7, 9209.8, 9210.5, 9603.1, 9603.11 and 9701.5
**Freddie Mac Investor Reporting Change Initiative update**

In Bulletin 2016-15, we announced the Freddie Mac Investor Reporting Change Initiative ("initiative") to convert our single-family investor reporting requirements closer to an industry standard and update our remittance cycles in the second half of 2018.

As announced in our October 18, 2016 [Single-Family Update e-mail](#), we have refined our implementation time frame and will implement this initiative in October 2018. We also published [business requirements](#) that provide developmental guidance necessary to plan the required system and business process updates essential to successfully implement this initiative. Servicers are encouraged to periodically visit the [Investor Reporting Change Initiative web page](#) to stay up to date on the latest news. Servicers can also subscribe to the [Single-Family Business News Subscription Center](#) to receive additional initiative updates as they are published.

**Freddie Mac MyCity Modification expiration date reminder**

As announced in Bulletin 2014-25, the MyCity Modification Trial Period Plan Effective Date must be on or before December 1, 2016 to be eligible for the program. We are reminding Servicers that no MyCity Modification is permitted to be completed with a Trial Period Plan Effective Date after this date. We are updating the Guide as follows:

- Removing the requirement that a Freddie Mac Streamlined Modification Solicitation Letter must include the date that the Borrower must return a complete Borrower Response Package to be evaluated for a MyCity Modification
- Clarifying that when a Servicer receives a complete Borrower Response Package after the date a Streamlined Modification solicitation is sent to the Borrower and prior to sending the modification agreement, the Servicer is not required to evaluate the Borrower for a MyCity Modification if the Trial Period Plan Effective Date is after December 1, 2016

Guide impacts: Sections 9102.5 and 9206.3

**Freddie Mac’s servicing remedies framework reminder**

As a reminder, updates to the servicing remedies framework announced in Bulletin 2016-14 are effective for Servicing Remedy letters issued on or after December 1, 2016. We encourage Servicers to review Freddie Mac’s Servicing Remedies Framework – FAQs, which will be posted on our [Freddie Mac Servicing Success Program](#) web page on December 1, 2016. The FAQs will include, among other things, frequently asked questions pertaining to the Independent Dispute Resolution (IDR) Process.

**Bulletin 2016-20 updates applicable to Servicers**

We are notifying Servicers of the following changes announced in Bulletin 2016-20:

- **Trended credit data**
  
  Freddie Mac is still studying trended credit data and its impact on the Borrower’s creditworthiness and Mortgage performance. At this time, we are not incorporating trended credit data into Loan Product Advisor℠ or our requirements for Manually Underwritten Mortgages.

  We updated the Guide to state that trended credit data:
  
  - Must not be considered by Sellers during the credit assessment for Manually Underwritten Mortgages; and
  - Will not be considered by Freddie Mac during postfunding quality control reviews

  Guide impacts: Sections 3401.1, 5202.3 and 5202.4

- **Concurrent Transfers of Servicing**
  
  We updated Form 960, [Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages](#), to remove the reference to a Seller/Servicer’s Master Commitment number and Master Commitment Amount.
Section 7101.2 was also updated to align with operational practices and remind Seller/Servicers that Freddie Mac’s approval of multiple Concurrent Transfer of Servicing requests does not constitute approval for a Seller/Servicer to exceed their Master Commitment Amount.

Guide impacts: Form 960 and Section 7101.2

**Form 15/A/C**

We updated Guide sample Forms 15, 15A and 15C to reflect the applicable forms generated by and accessible to the Seller in the Selling SystemSM as the current Guide sample forms were outdated.

Guide impact: Form 15/A/C

**Document Custody Procedures Handbook**

The Document Custody Procedures Handbook has been updated to reflect the Bulletin 2016-12 announcement of revised Freddie Mac/Fannie Mae ARM Notes and Riders and Freddie Mac ARM Notes and Riders that impose a Lifetime Floor equal to the ARM’s Margin.

**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 at (800) FREDDIE.

Sincerely,

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

December 14, 2016 | 2016-22

SUBJECT: FREDDIE MAC FLEX MODIFICATION

This Guide Bulletin announces the Freddie Mac Flex Modification. We are implementing this modification jointly with Fannie Mae at the direction of the FHFA to adapt to the improving housing environment while preserving the most effective aspects of our crisis era loan modification programs. The Flex Modification is designed as an affordable modification which will provide significant payment reduction for eligible Borrowers, while maximizing operational simplicity and ease of implementation for our Servicers. It will also provide a cost-effective way for Freddie Mac to avoid unnecessary foreclosures.

On and after October 1, 2017, this new modification will replace the current Freddie Mac Standard and Streamlined Modifications. Upon notification that Freddie Mac’s systems have been updated to process and settle Flex Modifications (as described below), Servicers may implement this new modification prior to October 1, 2017. Prior to this notification, Servicers must continue to offer the existing Standard and Streamlined Modifications to eligible Borrowers.

This Bulletin describes the requirements for the Flex Modification, including the eligibility requirements and exclusions, modification terms, requirements for an offer for a Flex Modification and evaluation hierarchy.

SERVICER IMPLEMENTATION

Mandatory implementation

Servicers must begin Borrower evaluations for the Flex Modification using the criteria provided in the Guide no later than October 1, 2017. Refer to the Eligibility Requirements and Exclusions and Determining the Terms of the Flex Modification tables of this Bulletin for details on the criteria.

Early implementation

Prior to October 1, 2017, Freddie Mac’s systems, including Workout Prospector® and EDR, will be updated to process, settle and report Flex Modifications. We will notify Servicers in a future Bulletin when those updates will take effect. Servicers are not permitted to implement the Flex Modification until the systems are updated.

Expiration of the Freddie Mac Standard and Streamlined Modifications

Once a Servicer begins evaluating Borrowers for the Flex Modification, whether as of the mandatory implementation date or upon early implementation, the Servicer must discontinue evaluations for Standard and Streamlined Modifications.

ELIGIBILITY REQUIREMENTS AND EXCLUSIONS

The Flex Modification eligibility requirements and exclusions are similar to the requirements for the Standard and Streamlined Modifications, with some minor updates to the eligibility exclusions.

Borrowers being evaluated for the Flex Modification must meet the following requirements:
<table>
<thead>
<tr>
<th>Borrower eligibility</th>
<th>The Borrower must:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Submit a complete Borrower Response Package, and</td>
<td></td>
</tr>
<tr>
<td>➢ Have an eligible hardship as described in Guide Section 9202.2. The hardship must currently be causing or be expected to cause a long-term or permanent decrease in the Borrower’s income or increase in the Borrower’s expenses. NOTE: Unemployment is considered a temporary hardship. Servicers must consider unemployed Borrowers for unemployment forbearance under Sections 9203.22 through 9203.24.</td>
<td></td>
</tr>
<tr>
<td>➢ Have verified income. Unemployment benefits may not be considered as a source of income for a modification.</td>
<td></td>
</tr>
<tr>
<td>• Be 60 days or more delinquent. However, a Borrower who is current or less than 60 days delinquent (i.e., less than three monthly payments past due) and occupies the property as a Primary Residence is also eligible provided the Borrower is first determined to be in imminent default in accordance with Section 9206.7.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Streamlined eligibility for certain Borrowers</th>
<th>Certain eligibility exceptions apply for a Borrower who:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is 90 days delinquent or greater; or</td>
<td></td>
</tr>
<tr>
<td>• Has a Step-Rate Mortgage and the Borrower:</td>
<td></td>
</tr>
<tr>
<td>➢ Becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment; and</td>
<td></td>
</tr>
<tr>
<td>➢ Has not submitted a complete Borrower Response Package</td>
<td></td>
</tr>
</tbody>
</table>

For these Borrowers, the Servicer is not required to adhere to the requirements in the “Borrower eligibility” row above. In these instances, a Borrower Response Package is not required, and the Servicer is not required to confirm a Borrower’s hardship or income. The Servicer must continue to comply with the requirements in the “Mortgage eligibility” and “Eligibility exclusions” rows below to determine eligibility.

NOTE: Additional solicitation requirements may also be applicable to this population of Borrowers. Refer to the Streamlined Offer for a Flex Modification section of this Bulletin.

<table>
<thead>
<tr>
<th>Mortgage eligibility</th>
<th>The Mortgage must:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Have been originated at least 12 months prior to the evaluation date for the Flex Modification</td>
<td></td>
</tr>
<tr>
<td>• Be a conventional First Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac</td>
<td></td>
</tr>
</tbody>
</table>

**Principal and interest (P&I) payment reduction**

The Flex Modification must result in a P&I payment that is less than or equal to the pre-modification P&I. (Refer to Section 9206.10 for additional payment reduction requirements that may apply.)
<table>
<thead>
<tr>
<th>Flex Modification Eligibility Requirements and Exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>When determining whether the modification results in a P&amp;I payment that is less than or equal to the pre-modification P&amp;I payment, the Servicer must consider the following:</td>
</tr>
<tr>
<td>- If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must consider the P&amp;I payment in effect prior to the date the SCRA relief was granted rather than the temporarily reduced monthly payment based on the SCRA interest rate cap</td>
</tr>
<tr>
<td>- If the Mortgage being modified is an ARM or an interest-only Mortgage, the Servicer must consider the P&amp;I payment, or interest only payment, as applicable, in effect at the time the Servicer determines eligibility for a Flex Modification Trial Period Plan</td>
</tr>
</tbody>
</table>

**Mortgages subject to indemnification agreements**

If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the requirements of Guide Chapter 9206, the Servicer has the discretion to approve the mortgage modification provided the following conditions are met:

- The modified Mortgage retains its credit enhancement
- If the Servicer is not the credit enhancement provider, the Servicer must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a modification agreement that complies with the requirements of Chapter 9206; and
- The Servicer remits to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac’s “Modification Loss Amount” methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified Mortgage. If the Mortgage is subject to a partial indemnification, each year the Servicer will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described in Bulletin 2016-5.

NOTE: Pursuant to Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement.

**Mortgages secured by leasehold estates**

If the Mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified Mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified Mortgage, the term of the lease must be renegotiated in...
### Flex Modification Eligibility Requirements and Exclusions

<table>
<thead>
<tr>
<th>Eligibility exclusions</th>
<th>The following Mortgages and Borrowers are ineligible for the Flex Modification:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• FHA, VA and Guaranteed Rural Housing Mortgages</td>
</tr>
<tr>
<td></td>
<td>• Mortgages subject to recourse</td>
</tr>
<tr>
<td></td>
<td>• Mortgages secured by second homes or non-owner occupied properties (i.e., Investment Properties) where the Borrower is current or less than 60 days delinquent</td>
</tr>
<tr>
<td></td>
<td>• Mortgages that have been previously modified three or more times</td>
</tr>
<tr>
<td></td>
<td>• Mortgages previously modified with the Flex Modification terms determined in accordance with Section 9206.10(a) where:</td>
</tr>
<tr>
<td></td>
<td>➢ The Mortgage became 60 or more days delinquent within 12 months of the Modification Effective Date, and</td>
</tr>
<tr>
<td></td>
<td>➢ The Borrower has not brought the Mortgage current following the Delinquency</td>
</tr>
<tr>
<td></td>
<td>• Borrowers who, within 12 months of the evaluation date, failed a Flex Modification Trial Period Plan and the terms of that Trial Period Plan were determined in accordance with Section 9206.10(a)</td>
</tr>
<tr>
<td></td>
<td>• Mortgages that are subject to an approved short sale or deed-in-lieu of foreclosure transaction</td>
</tr>
<tr>
<td></td>
<td>• Borrowers who are currently performing under another Trial Period Plan, forbearance plan or repayment plan</td>
</tr>
<tr>
<td></td>
<td>• Mortgages that are currently subject to an unexpired offer to the Borrower for another modification or other alternative to foreclosure, such as a forbearance or repayment plan</td>
</tr>
</tbody>
</table>

### DETERMINING THE TERMS OF THE FLEX MODIFICATION

Servicers must use different modification terms for the Flex Modification than those used to determine the Standard Modification. The terms for the Flex Modification are described below:

<table>
<thead>
<tr>
<th>Determining Flex Modification Terms</th>
<th>Post-modification MTMLTV ratio ≥ 80%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Servicer must complete all four steps below:</td>
</tr>
<tr>
<td></td>
<td>Step 1: Capitalize arrearages in accordance with Section 9206.15</td>
</tr>
<tr>
<td></td>
<td>Step 2: Set the interest rate to the applicable rate for the Mortgage type. For Borrowers with:</td>
</tr>
</tbody>
</table>
Determining Flex Modification Terms

- Fixed-rate Mortgages (including Step-Rate Mortgages or ARMs with no subsequent steps or adjustments), set the interest rate to the lesser of the Flex Modification rate or the pre-modification interest rate
- Step-Rate Mortgages or ARMs with subsequent steps or adjustments or further steps still remaining, set the interest rate to the lesser of the Flex Modification rate or the maximum step-rate/lifetime cap note rate

Step 3: Extend the amortization term to 480 months from the Modification Effective Date

Step 4: Forbear principal in an aggregate amount that does not exceed the Forbearance Cap to create an MTMLTV ratio as close to, but not below, 100%

Additional forbearance for Mortgages that are less than 90 days delinquent

If the Mortgage is less than 90 days delinquent on the date the Borrower submitted a complete Borrower Response Package and the Servicer did not reach a minimum of 20% P&I payment reduction and a post-modification housing expense-to-income ratio (PMHTI) ratio of 40% or less, as determined in accordance with Section 9206.5(c), the Servicer must continue to forbear principal, subject to the Forbearance Cap, down to no lower than an 80% MTMLTV ratio until a 20% P&I payment reduction and a PMHTI ratio of 40% or just below 40% is achieved.

If the Servicer reaches the Forbearance Cap without achieving a minimum of 20% P&I payment reduction or a PMHTI ratio at or below 40%, the Servicer must provide the offer based on the terms generated, provided that the Borrower is otherwise eligible for the modification.

Note: See an exception to PMHTI ratio requirements for a Borrower with a Step-Rate Mortgage who is eligible for a streamlined offer in the Streamlined Offer for a Flex Modification section of this Bulletin.

Additional forbearance for Mortgages that are 90 or more days delinquent

If the Mortgage is 90 or more days past due at the time of evaluation and the Servicer did not achieve a 20% P&I payment reduction, the Servicer must continue to forbear principal, subject to the Forbearance Cap, down to as low as an 80% MTMLTV ratio until a 20% P&I payment reduction is achieved. If the Servicer reaches the Forbearance Cap without achieving a 20% P&I payment reduction, the Servicer must provide the offer based on the terms generated, provided that the Borrower is otherwise eligible for the modification.
Determining Flex Modification Terms

| Post-modification MTMLTV ratio < 80% | - Capitalize the arrearages in accordance with Section 9206.15 and increase the term of the Mortgage to 480 months from the Modification Effective Date  
- If the Mortgage is an ARM or a Step-Rate Mortgage with subsequent interest rate adjustments remaining, convert the interest rate to the lesser of the maximum step-rate or the Flex Modification rate  
- If the Mortgage is a Fixed-rate Mortgage (including Step-Rate Mortgages or ARMs with no subsequent adjustments), the interest rate must remain fixed at the existing rate. |

STREAMLINED OFFER FOR A FLEX MODIFICATION

When a Borrower becomes 90 days delinquent, or when a Borrower with a Step-Rate Mortgage becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment, the Servicer must determine if the Borrower is eligible for a proactive offer for a streamlined Flex Modification in accordance with Section 9206.5 and, if eligible, solicit the Borrower for that modification in accordance with Section 9102.5(a). Servicers may continue to solicit eligible Borrowers for the Flex Modification at their discretion in accordance with the requirements in Sections 9102.5 and 9201.2.

If the Borrower is approved for a streamlined Flex Modification, the Servicer must send the Borrower a streamlined Flex Modification Trial Period Plan Notice and applicable streamlined Flex Modification solicitation letter in accordance with the requirements described in Section 9102.5(a). If the Borrower is approved for a streamlined Flex Modification due to an Eligible Disaster in accordance with the requirements of Section 9206.5(e), the Servicer must send the Borrower the streamlined Flex Modification Trial Period Plan Notice, as amended for Eligible Disasters, and the streamlined Flex Modification post-disaster forbearance solicitation letter.

The applicable Trial Period Plan Notices and solicitation letters set forth in Guide Exhibits 93, 1191, 1191A and 1191B will be updated to reflect the Flex Modification in a future Bulletin. Until a new letter template has been created for streamlined offers for the Flex Modification, Servicers may use Exhibit 1191, Streamlined Modification Solicitation Letter, or Exhibit 1191B, Streamlined Modification Solicitation Letter for Day 60 Rate Reset, as applicable, and must amend the applicable letter template as necessary to conform to the Flex Modification terms and applicable Guide requirements.

For a Borrower with a Step-Rate Mortgage only, if the Borrower has submitted a complete Borrower Response Package prior to becoming 90 days delinquent, and has not yet accepted the streamlined offer for a Flex Modification, the Servicer must complete its review of the package for all alternatives to foreclosure in accordance with the Guide. However, if the Borrower has accepted the existing Trial Period Plan offer, the Servicer must determine if the Borrower is eligible for additional payment relief as a result of the PMHTI ratio component of the Flex Modification terms described in Section 9206.10. If the Borrower is eligible for additional payment relief, then the Servicer must permit the Borrower to continue making the existing Trial Period Plan payments, but must update the modification agreement to reflect the lower payment amount. The post-modification P&I must reflect the lower payment amount in these instances.

EVALUATION HIERARCHY

Prior to Servicer implementation of the Flex Modification, the Servicer must follow the existing loss mitigation evaluation hierarchy as described in Section 9201.2. Once a Servicer has implemented the Flex Modification, it must discontinue evaluating Borrowers for the Standard and Streamlined Modifications, and instead evaluate Borrowers in accordance with the revised evaluation hierarchy:

- The Servicer must consider eligible Borrowers for available refinance options
• If a reinstatement or relief option as provided in Chapter 9203 is not appropriate based on Borrower circumstances, the Borrower may qualify for a workout option. The Servicer must first consider the Borrower for a Flex Modification in accordance with the requirements of Chapter 9206.

• If a Borrower is ineligible for, does not accept, or fails to complete the Flex Modification, the Servicer must next consider the Borrower for a short sale pursuant to Chapter 9208.

• If a Borrower is ineligible for a short sale or a short sale is not a viable option, the Servicer must next consider the Borrower for a deed-in-lieu of foreclosure in accordance with the requirements of Chapter 9209.

OTHER REQUIREMENTS

Other requirements for the Flex Modification include:

• **Mortgage insurance:** If the Mortgage is subject to mortgage insurance, the Servicer must obtain approval from the MI for the Flex Modification prior to offering the modification to a Borrower.

• **Incentives:** The Servicer will be eligible to receive an incentive payment in accordance with the tiered payment structure described in Exhibit 96, *Servicing Incentives and Compensatory Fees*. The incentive payment structure for Flex Modifications will be the same as it currently is for Standard and Streamlined Modifications.

• **Exception processing:** For situations in which a Borrower does not meet the eligibility requirements for a Flex Modification, and the Servicer believes it to be the best option for addressing the Delinquency, the Servicer may submit a recommendation to Freddie Mac for review via the exception request path in Workout Prospector. Refer to Section 9206.10 for additional information on Workout Prospector.

• **Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification"):** The requirements for determining interest rates for the Disaster Relief Modification have also been updated to reflect the updates described in this Bulletin. Refer to Section 9206.4 for additional details.

**REMINDER: FREDDIE MAC MYCITY MODIFICATION, PRINCIPAL REDUCTION MODIFICATION AND HOME AFFORDABLE MODIFICATION PROGRAM EXPIRATIONS**

As a reminder, the MyCity Modification, Principal Reduction Modification and Home Affordable Modification Program (HAMP®) expire at the end of 2016.

All MyCity Modification Trial Period Plans must have had a start date of no later than December 1, 2016. All solicitations and notices for the Principal Reduction Modification must be sent on or before December 31, 2016. Borrowers must submit a complete Borrower Response Package no later than December 30, 2016 to be evaluated for HAMP. Servicers must complete such evaluations within 30 days of the Servicer’s receipt of the complete Borrower Response Package.

As an additional reminder, in connection with the expiration of HAMP, Servicers no longer have the authority to request government monitoring data under Section 9205.16(b) and must cease collection of such data on and after December 31, 2016. As a result, Freddie Mac is retiring Form 710A, *Government Monitoring Data*, and updating Section 9102.5 to remove reference to the collection of government monitoring data with respect to HAMP eligible Borrowers, effective December 31, 2016.

**ADDITIONAL RESOURCES**

We have created a web page on FreddieMac.com for the Flex Modification. We encourage Servicers to visit the [Flex Modification web page](#), which includes a term sheet for the modification. We also encourage Servicers to visit the [Freddie Mac Learning Center](#) for additional Flex Modification resources, which will be available in the first quarter of 2017.
REVISIONS TO THE GUIDE
Sections 9201.2 and 9206.5 through 9206.11 have been revised and contain all requirements for the Flex Modification.

The following have been updated to change references from Freddie Mac Standard and/or Streamlined Modifications to the Flex Modification and remove applicable references to HAMP:

- Sections 8404.6, 9101.2, 9101.3, 9102.5, 9203.22, 9204.2, 9204.6, 9205.4, 9206.2, 9206.4, 9206.12, 9207.2, 9211.1, 9301.46 and 9402.3
- Exhibit 96
- The Glossary definition of “PITIAS Payment”

Additionally, we have:

- Moved the requirements for Streamlined Modifications from Section 9206.3 to Section 9206.5(c), with updates made to reflect the Flex Modification
- Deleted Form 710A and removed reference to the collection of government monitoring data for HAMP eligible Borrowers in Section 9102.5, effective December 31, 2016

Future revisions
Sections 9206.13 and 9206.16 and Exhibits 82 and 83A will be updated once EDR and Workout Prospector have been updated to reflect the Flex Modification.

Exhibits 93, 1191, 1191A and 1191B will be updated to reflect the Flex Modification prior to the mandatory implementation date.

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

Sincerely,

Yvette W. Gilmore
Vice President
Servicer Performance Management
SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Assets – July 6, 2017

- Revisions to our requirements for assets

Home Possible® Mortgages

- Updates to permit ownership interest in other residential property, under certain circumstances

2017 loan limits – January 1, 2017

- Updates to the Guide to reflect the increases in the 2017 loan limits for both base conforming and super conforming Mortgages

Extension of the effective date for revised income qualification requirements – July 6, 2017

- The extension of the effective date for previously announced revisions to income qualification requirements and guidance and the delayed update of related Loan Product Advisor® feedback messages

Relief Refinance MortgagesSM

- Guide updates and details related to the extension of our Relief Refinance Mortgage offerings

Additional Guide updates and reminders

- Further updates and reminders as described in the “Additional Guide Updates and Reminders” section of this Bulletin

EFFECTIVE DATE

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

ASSETS

Effective for Mortgages with Settlement Dates on and after July 6, 2017; however, Sellers may implement for Mortgages with Settlement Dates on and after March 6, 2017

We are revising our requirements for assets (i.e., the funds used to qualify the Borrower for the Mortgage transaction) including but not limited to, Down Payment, Closing Costs and reserves. Freddie Mac considered Seller inquiries and feedback, as well as broad industry and financial practices in developing these updated requirements.

Chapter 5501 is being updated to:

- Revise requirements to align with current industry practices
- Provide additional guidance to improve a Seller’s understanding of Freddie Mac’s requirements for Borrower assets and to address the efficiencies of today’s banking and technology
- Streamline eligibility and documentation requirements for certain asset types
- Better organize and consolidate related content

Highlights of the changes in Chapter 5501 include:
<table>
<thead>
<tr>
<th>Guide section</th>
<th>Key updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 5501.1</td>
<td>• <strong>Verified and eligible funds</strong> - Specifying that all funds used to qualify the Borrower for the Mortgage transaction, including but not limited to Down Payment, Closing Costs and reserves, must be verified and come from eligible sources</td>
</tr>
</tbody>
</table>
| Section 5501.2 | • **Minimum reserves** - For Loan Product Advisor Mortgages, revising minimum required reserves for the subject property to default to the minimum required on the Feedback Certificate  
• **Additional required reserves** – Specifying proper calculation for additional required reserves for second homes and Investment Property Mortgages, when applicable |
| Section 5501.3 | • **Computer-generated transaction histories** - Updating requirements for documentation of the accounts held in financial institutions to include requirements for computer-generated transaction histories  
• **Verifiable funds** - Specifying that funds that belong to the Borrower and are verifiable (for example, disaster relief funds, lottery winnings, court awarded settlements, etc.) are considered acceptable  
• **Additional asset types** – Specifying additional eligible asset types, to include real estate commission earned by the Borrower who is a licensed real estate agent, proceeds from a 1031 exchange or a bridge loan, and additional eligible retirement accounts  
• **Earnest money deposit** - Updating requirements for verifying the earnest money deposit when the funds are used to qualify for the Mortgage  
• **Business accounts** – Enhancing requirements for funds from business accounts, including providing special requirements for evaluating deposits on business account statements  
• **Source of funds from outside the United States and its territories** – Providing requirements for when the source of funds that are needed for closing is outside the United States and its territories  
• **Wedding gifts** – Adding wedding gifts as an acceptable source of funds subject to certain eligibility and documentation requirements  
• **Account access** – Specifying that the Borrower must have access to the funds |
| Section 5501.4 | • **EAH Benefits** – Relocating Section 5501.5, *Employer Assisted Homeownership (EAH) Benefit*, to Section 5501.4 and consolidating all requirements for EAH Benefits in one section and including the types of benefits and requirements in a chart format |
| Section 5501.5 | • **Interested party contributions** – Moving interested party contribution requirements from Section 4304.3 to Section 5501.5 for placement with related content |
| Section 5501.6 | • **Lender credit** – Adding new section for requirements for lender credit |

Section 4501.10(c) has been updated to include the following changes related to sources of funds for Home Possible Mortgages:

- **Minimum reserves** – For Loan Product Advisor Mortgages, revising minimum required reserves for the subject property to default to the minimum required on the Feedback Certificate  
- **Unsecured loans** – Replacing cross-references to other sections with the actual requirements for eligible unsecured loans

We are also updating and replacing certain defined terms with industry-accepted terminology. As a result, we are:

- Removing the following defined terms from the Glossary: Borrower Funds, Borrower Personal Funds, Other Borrower Funds and Financing Costs
Updating the definition for Closing Costs to include Prepays/Escrows and costs previously referred to as Financing Costs

Removing the term Premium Financing from the Glossary and referring to lender credit derived from an increase in the interest rate

Adding the term Down Payment to the Glossary.

Mortgages originated using these new requirements may have Settlement Dates on and after March 6, 2017. Sellers that elect to take advantage of the Guide changes prior to the mandatory effective date of July 6, 2017 must comply with all the revised assets requirements and guidance for each Mortgage for which they use the updated requirements, and may not choose to comply with some, but not all, of the changes. All Mortgages with Settlement Dates on and after July 6, 2017 must be originated in compliance with the revised assets requirements and guidance.

Loan Product Advisor and the Selling SystemSM will be updated by March 6, 2017 to reflect these changes. These changes will be reflected in a future Uniform Loan Delivery Dataset (ULDD) specification addendum.

Guide impacts: Guide Sections 1301.11, 3401.17, 4201.16, 4204.2, 4204.3, 4204.4, 4204.5, 4205.1, 4205.2, 4205.3, 4301.4, 4301.5, 4301.6, 4302.2, 4303.3, 4501.6, 4501.10, 4602.5, 4602.8, 5102.1, 5102.2, 5102.3, 5103.1, 5303.5, 5304.1, 5307.1, 5401.2, 5601.12, 5701.3, 5703.4, 5703.5, 6302.14, 6302.16, 6302.18, 6302.29, 8406.5, 8406.6 and 9207.3 and Chapter 5501 and the Glossary

HOME POSSIBLE MORTGAGES AND OWNERSHIP INTEREST IN OTHER PROPERTY

Previously, requirements for Home Possible Mortgages stated that a Borrower must not have an ownership interest in any other residential property as of the Note Date of the new Mortgage. This is consistent with the intent of Home Possible, to expand access to credit for low-to-moderate income Borrowers.

However, there are circumstances in which a Borrower may hold ownership interest in a property that are compatible with the intent of the program. To allow for these situations, we are permitting ownership in other residential property provided the Borrower does not occupy the other property, and:

- The Borrower inherited their ownership interest in the property and shares ownership with another party, or
- The Borrower owns the property with another party and the debt associated with the property was assigned to the other party by a court order (e.g., a divorce decree), or
- The Borrower is a cosigner/guarantor on the related Mortgage debt and someone other than the Borrower has made payments on the debt associated with the property for the most recent 12 months, as documented with copies of canceled checks or a statement from the lender

Guide impacts: Section 4501.7

2017 LOAN LIMITS

Effective for Mortgages with Freddie Mac Funding or Settlement Dates on and after January 1, 2017

As announced in our November 23, 2016 Single-Family Update e-mail, the FHFA has increased the maximum base conforming and designated high-cost area loan limits effective January 1, 2017. Freddie Mac super conforming Mortgages are subject to the loan limits for designated high-cost areas. The loan limits, effective for Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2017, are as follows:
### Maximum Loan Limits

<table>
<thead>
<tr>
<th>Property type</th>
<th>On and before December 31, 2016</th>
<th>On and after January 1, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maximum Base Conforming Loan Limits&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Maximum Super Conforming Loan Limits&lt;sup&gt;1, 2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Mortgages secured by 1-unit properties</td>
<td>$417,000</td>
<td>$625,500</td>
</tr>
<tr>
<td>Mortgages secured by 2-unit properties</td>
<td>$553,850</td>
<td>$800,775</td>
</tr>
<tr>
<td>Mortgages secured by 3-unit properties</td>
<td>$645,300</td>
<td>$967,950</td>
</tr>
<tr>
<td>Mortgages secured by 4-unit properties</td>
<td>$801,950</td>
<td>$1,202,925</td>
</tr>
</tbody>
</table>

1 Except for Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands

2 Actual loan limits for specific counties in high-cost areas, as determined by FHFA, may be lower than the maximum permitted loan limit listed above. Visit the FHFA loan limits page for specific loan limits for each high-cost area.

The maximum base conforming and super conforming loan limits for Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands will be 50% higher than those listed above.

For super conforming Mortgages, notwithstanding the maximum loan limits shown in the above chart, Sellers must review the 2017 loan limits permitted for the specific county in which the property is located. The FHFA provides this information on its web site.

Loan Product Advisor was updated on December 2, 2016 so Sellers may begin originating Mortgages with these new loan limits immediately. However, Mortgages meeting the 2017 limits are not eligible for sale to Freddie Mac until on or after January 1, 2017.

The Selling System was updated on December 2, 2016. Mortgages originated with loan amounts that meet the 2017 loan limits, but not the 2016 loan limits, must not have a Freddie Mac Funding Date or Settlement Date earlier than January 1, 2017.

Guide impacts: Sections 4203.3 and 4603.2

**EXTENSION OF THE EFFECTIVE DATE FOR REVISED INCOME QUALIFICATION REQUIREMENTS**

Bulletin 2016-19 announced revisions to our income qualification requirements and guidance effective for Mortgages with Settlement Dates on and after March 6, 2017. Loan Product Advisor feedback messages to support these revisions were scheduled to be updated by February 6, 2017.

In an effort to provide Sellers additional time to prepare for these changes, and in response to industry feedback, the revised income requirements and guidance is now effective for Mortgages with Settlement Dates on and after July 6, 2017.

Loan Product Advisor feedback messages will now be updated by March 6, 2017.

Although the mandatory effective date is extended, Sellers may begin using the revised requirements and guidance for Mortgages with Settlement Dates on and after March 6, 2017. However, for such Mortgages, Sellers must use all of the revised requirements and may not choose to implement only selected revised requirements and guidance. All Mortgages with Settlement Dates on and after July 6, 2017 must be originated in compliance with the revised income requirements.
EXTENSION OF RELIEF REFINANCE MORTGAGE OFFERINGS

In our Single-Family Update e-mail dated August 25, 2016, we notified Sellers that the FHFA has directed Freddie Mac and Fannie Mae to extend the implementation of the Home Affordable Refinance Program® (HARP®) through September 30, 2017.

As a result, 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 September 30, 2017 and Settlement Dates on or before June 30, 2018.

The Single-Family Update e-mail also notified Sellers that the FHFA has directed Freddie Mac and Fannie Mae to implement a new high-LTV refinance offering. The details of this new offering will be announced in a future Bulletin.

Guide impacts: Sections 4302.1 and 4303.1

ADDITIONAL GUIDE UPDATES AND REMINDERS

ULDD Phase 3 Announced

As announced in our December 13, 2016 Single-Family Update e-mail, to support the continued improvement of our loan delivery standards, Freddie Mac and Fannie Mae announced Phase 3 of the ULDD on December 13, 2016, and published the ULDD Phase 3 specification addendum included as Tab 9 – ULDD Phase 3 Issued 12-13-16 in Appendix A – Freddie Mac XML Data Requirements v4.0.0. Further information, including the implementation timeline and supporting documentation will be provided in the first quarter of 2017. The Phase 3 ULDD delivery requirements will be incorporated into the Guide with a future Bulletin. View the ULDD Phase 3 requirements on our ULDD web page.

Forms 16SF and 1107SF updates

As announced in Bulletin 2016-21, we periodically review and adapt Forms 16SF and 1107SF to meet changing needs. As a result of our most recent review, effective January 27, 2017, Forms 16SF and 1107SF will be updated to add a new section for Seller/Servicers to provide a list of all States, which include the District of Columbia, Guam, Puerto Rico and the Virgin Islands, in which the Seller/Servicer is licensed to conduct business, together with its license number. Seller/Servicers that are nationally chartered will only need to provide their national registration number.

Additionally, we have corrected the issue that prevented scrolling fields and certain other fields from fully appearing on the printable version of the completed forms. When printing a copy of either form for Seller/Servicer records all information in these fields will now be visible.

For clarity and ease of use, we are making additional changes to Form 16SF, including:

- Adding a new field to require an explanation when a Seller/Servicer indicates that a change has occurred with a Document Custodian or a funds custodian relationship
- Adding a new section that will permit Seller/Servicers to designate up to five additional persons to receive Form 16SF reminders and late notices
- Making the “Certification, Consent and Agreement” language available for review prior to completion of the form by selecting it in the navigation section
- Adding two new questions in the origination section for Seller/Servicers to indicate if they use a vendor for pre- and postfunding quality control
- Adding the ability to reopen a form once submitted to make a correction if reported to Freddie Mac the day of submission
Seller/Servicers that have a draft Form 16SF or 1107SF saved on or after January 27, 2017, will be unable to submit either form until providing the information in the new fields. Beginning January 27, 2017, the new fields must be completed prior to submission.

If a Seller/Servicer has completed and submitted Form 16SF prior to January 27, 2017, it does not need to resubmit to account for these updates. When reporting organizational changes after January 27, 2017, the updated Form 1107SF is required.

**Spanish language translation of Mortgage documents**

Spanish translations for certain forms are now available on our [Spanish Translation of Mortgage Documents web page](http://www.freddiemac.com/singlefamily/guide/docs/bll1623_spreadsheet.xls) in order to better help Seller/Servicers do business with Spanish-speaking Borrowers. These include, but are not limited to:

- Truth-in-Lending Act (TILA)-Real Estate Settlement Procedures Act (RESPA) Integrated Mortgage Disclosure Rule forms per the Consumer Financial Protection Bureau
- IRS Form W-9
- Written List of Service Providers

We have also included existing Form 710s, *Uniform Borrower Assistance Form*, together with these resources for ease of reference.

As a reminder, Section 4101.1 permits use of the Fannie Mae Spanish/English version of the Uniform Residential Loan Application, Form 1003(s) and Statement of Assets and Liabilities, Form 1003A(s), subject to certain conditions.

**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 at (800) FREDDIE.

Sincerely,

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