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**TO: Freddie Mac Sellers and Servicers**June 29, 2016 | 2016-12

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**SUBJECT: SELLING AND SERVICING UPDATES**

This Guide Bulletin announces:

**ARM Lifetime Floor**

- 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](#) – **October 1, 2016 (New)**

**Freddie Mac tools and systems**

- Updates related to the use of Freddie Mac's technology tools and systems, including:
  - A [Master Systems License](#) – **July 11, 2016 (New)**
  - Loan Prospector® to [Loan Product Advisor<sup>SM</sup> terminology updates](#) – **July 11, 2016**

**Home Possible Mortgages**

- The removal of the requirement for Home Possible® Mortgages that Sellers obtain a signed [Borrower consent form](#) at or before closing to authorize release of information in the event of a Delinquency
- Updates to Loan Prospector and the [Affordable Income & Property Eligibility tool](#) to reflect the [area median income estimates for 2016](#)

**Exhibit 4**

- Updates to [Exhibit 4](#)

**EFFECTIVE DATE**

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

**ARM NOTES AND RIDERS THAT IMPOSE A LIFETIME FLOOR**Sellers are encouraged to use the updated ARM Notes and Riders referenced below immediately, but must do so for Mortgages with Note Dates on or after **October 1, 2016**.**Uniform Instruments**

To support industry standardization, Freddie Mac/Fannie Mae ARM Notes and Riders and Freddie Mac ARM Notes and Riders ("updated ARM Notes and Riders") have been revised recently to include new language imposing a Lifetime Floor equal to the ARM's Margin.

Guide Exhibits 4 and 5 have been updated to reflect revision dates for our updated ARM Notes and Riders. For more information, visit Freddie Mac's [Uniform Instrument News and Updates](#) web page.

Guide impacts: Exhibits 4 and 5

**Delivery requirements**We are encouraging Sellers that use the updated ARM Notes and Riders to deliver ULDD Data Point *Floor Rate Percent* (Sort ID 116); however, delivery of that Sort ID is not mandatory. We are revising the delivery instructions for ULDD Data Point *Floor Rate Percent* (Sort ID 116) to reflect that the Lifetime Floor must equal the ARM's Margin. For ARMs with Note Dates on or after October 1, 2016, if the Seller does not deliver the *Floor Rate*

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*Percent* (Sort ID 116) Freddie Mac will populate this ULDD Data Point with the Margin that the Seller delivers in ULDD Data Point *Margin Rate Percent* (Sort ID 119).

We are also removing the reference to ULDD Data Point *Floor Rate Percent* (Sort ID 116) from Guide Section 6302.24 as it is no longer necessary.

### **Document Custodian information**

Except as set forth below regarding Fannie Mae ARM Notes and Riders, there will be no new verification elements for Document Custodians to certify ARMs with Lifetime Floors.

Document Custodians must verify that:

- ARMs with Note Dates before October 1, 2016 were originated on either the current (version 1/01) ARM Notes and Riders or the updated (version 1/01 rev. 6/16) ARM Notes and Riders, and
- ARMs with Note Dates on or after October 1, 2016 were originated on the updated (version 1/01 rev. 6/16) ARM Notes and Riders

Fannie Mae Announcement SEL-2015-12 announced permission for lenders to add a lifetime interest rate floor equal to the ARM's margin to Fannie Mae ARM notes and ARM riders to Security Instruments. Sellers delivering ARMs with Lifetime Floors on and after June 29, 2016 that are originated using Fannie Mae ARM documents amended to add a Lifetime Floor as authorized by Fannie Mae Announcement SEL-2015-12 should be aware that, as part of the Note certification process, their Document Custodian will verify that the value of the Lifetime Floor equals the value of the Margin; if it does not, the discrepancy will be reported as a documentation issue and the Note will not be certified for sale to Freddie Mac. For information regarding use of Fannie Mae ARM instruments to originate ARMs eligible for sale to Freddie Mac, refer to Section 4101.2(c)(ii).

The Document Custody Procedures Handbook will be updated in the future to reflect this information.

Guide impacts: Sections 6302.7 and 6302.24

### **Additional related Guide updates**

We are updating Sections 4401.4 and 4401.5 to reflect the new requirement that ARMs purchased by Freddie Mac have a Lifetime Floor equal to the ARM's Margin.

We are also updating the Glossary definition of Lifetime Floor. We are adding language to Guide Exhibit 17S to reflect the new Lifetime Floor requirement and otherwise updating this exhibit to renumber footnotes and remove outdated text.

Servicing requirements are generally not impacted by the new requirement that ARMs purchased by Freddie Mac have a Lifetime Floor equal to the ARM's Margin; however, we may announce updates to the Guide related to Servicing requirements in a future Bulletin.

Guide impacts: Sections 4401.4 and 4401.5, Exhibit 17S and the Glossary

## **FREDDIE MAC TOOLS AND SYSTEMS**

### **Master Systems License and System-Specific Licenses**

**Effective July 11, 2016**

[Freddie Mac Loan Advisor Suite<sup>SM</sup> \("Suite"\)](#), our end-to-end technology solution, will be available this summer. The Suite includes Loan Product Advisor, Loan Quality Advisor<sup>SM</sup>, Loan Collateral Advisor<sup>SM</sup>, Loan Closing Advisor<sup>SM</sup>, Selling System<sup>®</sup>, Loan Coverage Advisor<sup>®</sup> and Business Intelligence, which are accessible through a single sign-on portal.

We are creating a Master Systems License in Guide Chapter 2401 to streamline various technology licenses for Freddie Mac tools and systems, including new and existing tools and systems that are part of the Suite. We are also consolidating certain user agreements into an updated Chapter 2402 (the chapter containing Selling System provisions (currently Chapter 2402) will become Chapter 2403). The Master Systems License reduces the need

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for individual user agreements in separate Guide exhibits and other provisions by aligning common terms in a single umbrella license governing the use of Freddie Mac technology tools.

Chapters 2401 and 2402 have a simplified structure as outlined below:

- Chapter 2401 contains terms that apply broadly to most Freddie Mac technology platforms
- Section 2402.1 governs system specifications shared with Seller/Service providers that develop their own systems integrations to a Freddie Mac platform
- Section 2402.2 contains license terms for the collection of systems comprising the Suite
- Sections 2402.3 through 2402.8 contain system-specific license terms for Loan Product Advisor, Loan Quality Advisor, Loan Coverage Advisor, the Selling System, HVE<sup>®</sup> and Quality Control Information Manager

As a result of the new Master Systems License and System-Specific Licenses, Exhibits 15, 16, 18, 29, 32, 37, 38 and 39 will be deleted.

As discussed in our June 16, 2016 [Single-Family News Center article](#), current access to existing Freddie Mac tools and systems that are part of the Suite will still work; however, we are updating Forms 900, 901, and 906, (which are used to add, modify and remove administrators and users of the Selling System and Loan Coverage Advisor) to reflect the creation of the Master Systems License and System-Specific Licenses. We are also updating these forms to remove language regarding counterparty rights and responsibilities that is addressed in those licenses. On and after July 11, 2016, Seller/Service providers must use the updated forms to authorize users and to add, delete, modify or confirm an individual's existing user roles.

Guide impacts: Chapters 2401, 2402, and 2403, Sections 1501.4, 2202.2, 2406.2, 2406.3, 4302.2, 4302.5, 4303.3, 4303.6, 5101.1, 6203.1, 6203.8, 6204.1, 6204.8, 6205.1, 6205.8, 6302.3, 6302.4 and 6305.4, Exhibits 15, 16, 18, 29, 32, 37, 38, 39 and 88, Forms 900, 901 and 906 and the Glossary

### **Impact to Service providers**

#### **Effective immediately**

We have added "Servicing Tool" as a defined term to the Glossary and have updated Exhibit 88 to identify additional Servicing Tools already available to Service providers. Consistent with current Chapter 2401, the Master Systems License does not apply to any Servicing Tool that is governed by a separate license, user agreement or similar document, except for Loan Coverage Advisor, HVE and Quality Control Information Manager, which are governed by the Master Systems License and their respective System-Specific Licenses set forth in Sections 2402.5, 2402.7 and 2402.8. Servicing Tools that have separate licenses, user agreements or similar documents that are not set forth in Chapter 2402 continue to be governed by those licenses, user agreements or similar documents. Servicing Tools that are not governed by Chapter 2402 or any separate licenses, user agreements or similar documents will be governed by the new Chapter 2401.

We also are updating Section 9501.10 to include a reference to the Attorney Data Reporting (ADR) System. As announced in our [Single-Family News Center article](#) dated October 29, 2015 and Bulletin 2016-2, Service providers may obtain access to ADR in order to monitor their law firms' reporting progress by completing the ADR Service provider Access Request Form available on the Freddie Mac Default-Related Legal Services web page at [http://www.freddie.com/singlefamily/service/default\\_legal\\_services.html](http://www.freddie.com/singlefamily/service/default_legal_services.html).

Guide impacts: Sections 2404.1, 3403.1, 8101.1, 8601.3, 8601.7, 9205.1, 9205.7, 9205.9, 9206.7, 9206.17, 9401.8, 9501.3, and 9501.10, Exhibit 88 and the Glossary

### **Loan Product Advisor terminology changes**

#### **Effective July 11, 2016**

In anticipation of the launch of our new Suite this summer, our automated underwriting system, Loan Prospector, will evolve into Loan Product Advisor, which is a part of the new Suite. As a result, we are updating Guide references from Loan Prospector to Loan Product Advisor.

While we have replaced the majority of Guide references, there are still some references to Loan Prospector in the Guide and other Purchase Documents. For example, since the Selling System will not be updated

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immediately, the Loan Prospector references in Chapter 6302 are not being changed now. Any such reference to Loan Prospector in existence on and after July 11, 2016 is to be deemed a reference to Loan Product Advisor, as defined in the Glossary.

Guide impacts: See [Bulletin 2016-12 \(Selling and Servicing\) Guide Updates Spreadsheet](#)

#### ***Notice of changes to negotiated provisions***

Pursuant to Section 1501.2, negotiated provisions in Master Agreements and/or Master Commitments are amended such that all references to Loan Prospector are deemed to be references to Loan Product Advisor as defined in the Glossary.

#### **Additional tool and system-related Guide updates**

##### ***Definition of HVE***

We are revising the Glossary definition of HVE to more accurately reflect the function of the tool.

##### ***Removal of Guide Form 2070***

##### **Effective October 1, 2016**

We no longer offer the Property Inspection Alternative option in Loan Prospector and, as a result, are removing the obsolete Form 2070, *Loan Prospector Condition and Marketability Report*.

Guide impacts: Section 4302.2 and Form 2070

## **HOME POSSIBLE MORTGAGES**

### **Borrower consent form**

In response to feedback from the industry and to facilitate more efficient affordable lending processes, we are eliminating our requirement, for Home Possible Mortgages that Sellers obtain, at or before closing, a signed consent form from the Borrower, authorizing the release of the Borrower's information to a counseling agency in the event of a Delinquency. This change will not restrict, limit or discourage Servicers from making referrals for Borrowers in need of counseling and Freddie Mac continues to support and encourage counseling when applicable.

Guide impacts: Sections 4501.12, 9101.2 and 9102.4

### **Area median income estimates**

The FHFA has issued the area median income estimates for 2016.

Loan Prospector and the [Affordable Income & Property Eligibility tool](#) will be updated on June 30, 2016 to reflect the 2016 area median income estimates. Because many of the 2016 estimates are lower than the area median income estimates for 2015, Home Possible Mortgages underwritten using the 2015 area median income limits may no longer be eligible for sale. If a Home Possible Mortgage received an "Accept-Eligible" evaluation prior to June 30, 2016, but receives an "Accept-Ineligible" when resubmitted to Loan Prospector on or after June 30, 2016 due only to the new area median income estimates (that is, no other purchase restriction/reason for ineligibility applies), we will honor the original Feedback Certificate for the "eligibility" and purchase the Mortgage as long as there is no change to the Borrower's income and/or the address of the Mortgaged Premises. In these instances, the original Feedback Certificate (pre-June 30, 2016) must have been returned by Loan Prospector no more than 120 days before the Note Date and both Feedback Certificates must be retained in the Mortgage file.

## **EXHIBIT 4 UPDATE**

Exhibit 4, *Single-Family Uniform Instruments*, has been updated to reflect changes that are included on Freddie Mac's Uniform Instruments web page for Wisconsin. For more information visit Freddie Mac's [Uniform Instrument News & Updates](#) web page.

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## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2016-12 (Selling and Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1612\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1612_spreadsheet.xls).

## CONCLUSION

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

Sincerely,



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Single-Family Sales and Relationship Management