



TO: Freddie Mac Sellers

October 18, 2017 | 2017-23

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Calculating the monthly debt payment-to-income ratio

- Updates to our requirements for:
 - [Student loan debts](#) – January 18, 2018
 - [Contingent liabilities](#) – January 18, 2018

Appraisal requirements

- Revisions to certain appraisal requirements, including:
 - [Removal of the requirement to obtain a new appraisal when the Settlement Date is more than 120 days after the Note Date](#)
 - [Updates to Loan Collateral Advisor® collateral representation and warranty relief and automated collateral evaluation \(ACE\) eligibility requirements](#)
 - [Requirement that an appraisal update be reported only on Guide Form 442, Appraisal Update and/or Completion Report](#) – January 18, 2018
 - Specifying that [an unlicensed or trainee \(or similar classification\) appraiser may perform an appraisal update](#) – January 18, 2018

Delivery requirement updates

- Updates to our delivery requirements for:
 - [Mortgages with ACE appraisal waivers](#)
 - [Super conforming Mortgages](#)

Additional Guide updates

- Further updates 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.

CALCULATING THE MONTHLY DEBT PAYMENT-TO-INCOME RATIO

Effective for Mortgages with Settlement Dates on and after January 18, 2018, but Sellers may implement the changes in their entirety immediately

We are updating our requirements for calculating the monthly debt payment-to-income (“DTI”) ratio, including our requirements for the treatment of student loan debt and contingent liabilities.

Student loan debt

Our updated requirements for qualifying Borrowers with student loan debt support access to credit and provide Sellers with a responsible, simplified approach that addresses student loan repayment plans and student loan forgiveness programs offered today. Highlights of the changes are as follows:

Current requirement	Revised requirement
Student loans in repayment	
When a monthly payment is not reported on the credit report, the Seller must obtain documentation verifying the monthly payment amount included in the monthly DTI ratio.	<p>For calculating the monthly DTI ratio, use the greater of:</p> <ul style="list-style-type: none"> The monthly payment amount reported on the credit report, or 0.5% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater
<p>Rationale for the changes:</p> <ul style="list-style-type: none"> Our current requirements were developed based on traditional student loan repayment plans that provide for fully amortizing monthly payments typically reported on credit reports Our revised requirements continue to permit the use of the reported payments for student loans with fully amortizing monthly payments while also providing a solution for evaluating student loans in income-driven repayment plans Income-driven repayment plans are becoming more prevalent in the market and are subject to annual recertification of the monthly payment amount. By requiring the use of a minimum payment of 0.5% of the original loan balance or outstanding balance, whichever is greater, the risk of the potential payment shock from the monthly payment increasing after the annual recertification is reduced; however, the Borrower is still given the benefit of using a lower monthly payment amount than would be required under the traditional fully amortizing repayment plan. We also simplified our requirements by removing the requirement that the Seller must obtain documentation if a monthly payment amount is not reported on the credit report 	
Student loans in deferment or forbearance	
If no monthly payment is reported on the credit report and there is no documentation in the Mortgage file indicating the proposed monthly payment amount (e.g., the loan verification letter), 1% of the outstanding balance will be considered as the monthly amount for qualifying purposes.	<p>Use the greater of:</p> <ul style="list-style-type: none"> The monthly payment amount reported on the credit report, or 1% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater
<p>Rationale for the changes:</p> <ul style="list-style-type: none"> Using 1% of the original loan balance, if greater, accounts for traditional student loan plans providing for a fixed payment based on the original loan balance Using 1% of the outstanding loan balance, if greater, accounts for student loans with an outstanding balance greater than the original balance due to interest that had accrued during a period of forbearance These requirements provide a simple approach with no additional documentation needed from the Borrower 	

Student loan forgiveness, cancellation, discharge and employment-contingent repayment programs

None

The student loan payment may be excluded from the monthly DTI ratio provided the Mortgage file contains documentation that indicates the following:

- The student loan has ten or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, or
- The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid at the end of the deferment or forbearance period

AND

- The Borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the Seller is not aware of any circumstances that will make the Borrower ineligible in the future

Rationale for the changes: This new provision provides additional flexibility to exclude student loan debt from the monthly DTI ratio when it is likely that student loan payments will no longer be required in the near future, or are not required currently and will not be required in the future.

Impacted Loan Product Advisor feedback messages will be updated by January 18, 2018.

Guide impact: Guide Section 5401.2

Contingent liabilities

It has become more common for Borrowers to receive help from others in making payments on their debts (e.g., Borrower's parents making their student loan payments). To account for this, we are updating our requirements to permit installment, revolving and lease payments to be excluded from the monthly DTI ratio when a party other than the Borrower has been making timely payments on the debt for the most recent 12 months and certain other requirements are met.

In addition, we are updating our requirements for excluding Mortgage debt from the monthly DTI ratio when a party other than the Borrower has been making timely payments for the most recent 12 months.

In all cases, we are no longer requiring that the Borrower be a cosigner or guarantor on the excluded debt.

Guide impact: Section 5401.2

Training

We will update the training related to student loans and contingent liabilities that is available on the Freddie Mac Learning Center soon.

APPRAISAL REQUIREMENTS

Mortgages with Settlement Dates more than 120 days after the Note Date

Previously, a new appraisal was required when the Settlement date was more than 120 days after the Note date. To streamline our appraisal requirements for Mortgages with Settlement Dates more than 120 days after the Note Date we have removed this requirement.

When the Settlement Date is more than 120 days after the Note Date, Sellers must now warrant the value of the subject property is not less than either the appraised value as of the effective date of the appraisal or, for Mortgages originated with an ACE appraisal waiver, the estimated value or sales price used to underwrite the Mortgage in Loan Product Advisor.

If the Seller cannot make this warranty, then the Mortgage is eligible for sale only through a negotiated sales transaction through our bulk sales unit.

Guide impacts: Sections 4201.5 and 5601.8

Loan Collateral Advisor collateral representation and warranty relief and ACE appraisal waiver eligibility requirements

To provide additional flexibility for Mortgages with Settlement Dates more than 120 days after the Note Date, we have **removed** the:

- Requirement that Mortgages with appraisals that received collateral representation and warranty relief through Loan Collateral Advisor with Settlement Dates more than 120 days after the Note Date are not eligible for collateral representation and warranty relief, and
- Requirement that Mortgages with Settlement Dates more than 120 days after the Note Date are not eligible to be sold with an ACE appraisal waiver

Guide impact: Section 5601.9

Appraisal update requirements

Effective for Mortgages with Settlement Dates on and after January 18, 2018 but Sellers may implement immediately

To streamline our appraisal reporting requirements and align with recent revisions to our unlicensed or trainee appraiser requirements, we are making changes to our requirements for obtaining an appraisal update as follows:

Appraisal update requirements		
Topic	Past requirement	Revised requirement
Reporting requirements	When an appraisal update is required, Sellers may either report the update on Form 442 or obtain a new appraisal	The results of the appraisal update must be reported on Form 442
Appraiser requirements	The appraiser who provided the opinion of market value should perform the appraisal update. The Seller may select another Seller-approved appraiser who is qualified to perform the appraisal update.	<ul style="list-style-type: none">• The original appraiser should perform the appraisal update• If the original appraiser is not available, another appraiser may be used• Freddie Mac will accept an appraisal update performed by an unlicensed or trainee (or similar classification) appraiser if a supervisory appraiser signs the appraisal update

Guide impacts: Sections 5601.8 and 5601.10

UPDATED DELIVERY REQUIREMENTS

Mortgages with ACE appraisal waivers

Following the announcement of ACE in Bulletin 2017-8, ULDD Data Point *Property Valuation Amount* (Sort ID 83) has been added to the Guide to provide additional delivery instructions for Mortgages with appraisal waivers.

Guide impact: Section 6302.10

Super conforming Mortgages

Bulletin 2017-20 streamlined our appraisal requirements for super conforming Mortgages. As a result, obsolete delivery requirements for super conforming Mortgages have been removed from the Guide.

Guide impact: Section 6302.31

ADDITIONAL GUIDE UPDATES AND REMINDERS

Pool maturity and issuance guidelines

We have updated the Guide to specify the pooling requirement related to the Final Maturity at Issuance for 15- and 30-Year TBA PC to reflect the Securities Industry and Financial Markets Association's (SIFMA) Good Delivery Guidelines for Pool Maturity at Issuance, as follows:

- The final maturity of a 30-year Freddie Mac TBA PC must be greater than 15 years and one month at issuance
- The final maturity of a 30-year Freddie Mac TBA PC shall not exceed 361 months
- The final maturity of a 15-year Freddie Mac TBA PC shall not exceed 181 months

Guide impact: Section 6202.3

Clarifying Credit Score requirements for Mortgages sold through the fixed-rate Cash Servicing Released Sales Process

In response to Seller questions, we are updating Guide language related to Credit Scores and Credit Fees in Price to clarify that a Seller is required to deliver ULDD Data Point *Loan Level Credit Score Value* (Sort ID 251) for Mortgages sold through the Servicing Released Sales Process, regardless of whether the Mortgage is a Loan Product Advisor Mortgage. This update aligns with the existing special delivery requirements for fixed-rate Mortgages sold through the Servicing Released Sales Process in Section 6302.26.

Guide impacts: Sections 5203.2 and 6303.1

Assets as a basis for repayment of obligations

Effective September 14, 2017

We are making additional Guide updates to align with changes announced in Bulletin 2017-20 related to requirements for Mortgages when assets are used as a basis for repayment of obligations (formerly referred to as "assets as a basis for Mortgage qualification").

Guide impacts: Sections 5307.1 and 6302.33 and Guide Exhibit 34

Proposed Texas constitutional amendments for home equity lending

Voters in Texas will be voting on proposed amendments to the Texas constitution on November 7, 2017. These amendments, if passed, will affect home equity lending in Texas, and will become effective on January 1, 2018. Freddie Mac is assessing the potential impact on our Texas Equity Section 50(a)(6) Mortgage documents and will provide guidance and updates if the amendments are passed.


GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2017-23 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1723_spreadsheet.xls.

CONCLUSION

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

Sincerely,



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