



TO: Freddie Mac SellersNovember 15, 2017 | 2017-26

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Credit underwriting and Mortgage eligibility

- Expanded requirements to make [5/5 ARMs eligible for additional Mortgage products](#)
- [Removal of the requirement that all income reported on the application must be verified for Freddie Mac Home Possible® Mortgages](#)

Texas Equity Section 50(a)(6) Mortgages

- Updated requirements for [Texas Equity Section 50\(a\)\(6\) Mortgages to allow ARMs](#)

Loan Product Advisor®

- [Enhancements to Loan Product Advisor® relating to reserves requirements](#) – **November 13, 2017**

Loan Selling AdvisorSM

- Updates related to [rebranding the Selling System® to Loan Selling AdvisorSM](#) – **December 11, 2017**

Non-discrimination policy

- Guide language [prohibiting Seller/Service providers from engaging in discriminatory business activities](#) – **March 15, 2018 (New)**

Additional Guide updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

EFFECTIVE DATE

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

CREDIT UNDERWRITING AND MORTGAGE ELIGIBILITY**ARMs**

To provide Borrowers an additional option for Mortgage financing, we are updating our eligibility requirements for Home Possible Mortgages, Freddie Mac Relief Refinance MortgagesSM and Financed Permanent Buydown Mortgages to add 5-year ARMs (5/5 ARMs) as eligible for purchase.

As a reminder, all 5-year ARMs are eligible for sale only under the WAC ARM Guarantor Program; they are not eligible under WAC ARM Cash. If a Seller is not already set up to sell us 5-year ARMs, it must contact its Freddie Mac representative to be set up.

Additionally, to better align with the industry we are revising the names of the following eligible ARM products:

- 1-year ARMs to 1/1 ARMs
 - 3-year ARMs to 3/3 ARMs
 - 5-year ARMs to 5/5 ARMs
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The updated names of these ARM products capture the duration of both the initial and each subsequent interest rate adjustment period.

Loan Product Advisor has been updated to reflect these changes.

Guide impacts: Guide Sections 4101.2, 4204.4, 4302.2, 4303.2, 4304.1, 4401.2, 4401.3, 4401.4, 4401.5, 4401.8, 4501.3 and 4601.1

Home Possible Mortgages: Borrower income and eligibility

Based on Seller feedback, we have reviewed our requirements for Borrower eligibility for Home Possible Mortgages and are removing the requirement that all income reported on the application must be verified. The Seller must use income used to qualify the Borrower to establish that the income limits are not exceeded. This change simplifies our requirements by aligning the treatment of Home Possible Mortgages, as it relates to verification of income, with Freddie Mac requirements for other types of Mortgages.

Guide impacts: Sections 4501.7, 4501.9 and 5101.6

TEXAS EQUITY SECTION 50(A)(6) MORTGAGES

Texas Equity Section 50(a)(6) ARMs

Texas Equity Section 50(a)(6) Mortgages originated under Article XVI of the Texas Constitution permit a Borrower to take equity out of a homestead property under certain conditions. Previously, we restricted the eligibility of Texas Equity Section 50(a)(6) Mortgages to fixed-rate Mortgages only. We are updating the Guide to allow the purchase of Texas Equity Section 50(a)(6) ARMs.

Sellers must originate these Mortgages using the Texas Equity Uniform Instruments referenced in Section 4301.7.

Guide impact: Section 4301.7

Texas constitutional amendments for home equity lending passed

The proposed amendments to the Texas Constitution affecting home equity lending were passed on November 7, 2017 and will become effective on January 1, 2018. Freddie Mac will provide guidance and updates regarding impacts to Texas Equity Section 50(a)(6) Mortgages in a subsequent Bulletin.

LOAN PRODUCT ADVISOR – RESERVES

Effective for all Mortgages submitted or resubmitted to Loan Product Advisor on and after November 12, 2017 with Settlement Dates on and after November 13, 2017

As announced in our [November 8, 2017, Single-Family News Center article](#), to help streamline the underwriting process Loan Product Advisor has been enhanced to calculate the additional required reserves when the subject property is a second home or Investment Property. The Seller is no longer required to manually calculate the additional required reserves as they will be included in the amount of reserves required to be verified on the Feedback Certificate.

Guide impact: Section 5501.2

LOAN SELLING ADVISOR

Effective December 11, 2017

Terminology changes

As announced in our [September 21, 2017 Single-Family News Center article](#), the Selling System will be rebranded to Loan Selling Advisor – fully integrating it into the Freddie Mac Loan Advisor Suite®. As a result, we are updating Guide references from the Selling System to Loan Selling Advisor.

We are taking this opportunity to update Guide Chapter 2403 to add appropriate master license references to Chapter 2401 and remove obsolete text. Additionally, we are updating the Glossary to add “Loan Selling Advisor” and remove “Selling System.”

Guide impacts: See [Bulletin 2017-26 \(Selling\) Guide Updates Spreadsheet](#)

Notice of changes to negotiated provisions

While we have replaced Guide references to Selling System, there are still references in other Purchase Documents. Pursuant to Section 1501.2, negotiated provisions in Purchase Documents are hereby amended such that all references to Selling System in existence on and after December 11, 2017 are deemed to be references to Loan Selling Advisor, as defined in the Glossary.

Important reminders

Loan Selling Advisor will offer the same functionality, but with a new user interface and design for a holistic, integrated user experience in the Loan Advisor Suite. It will be accessed via single sign-on through the [Loan Advisor Suite portal](#).

To safeguard data and for optimal visual display and functionality of the Loan Selling Advisor screens, Sellers should upgrade their internet browser to Internet Explorer® (IE) 11 by December 11, 2017. As previously communicated in our [March 13, 2017 Single-Family News Center article](#), IE 11 is recommended for all applications in the Loan Advisor Suite; however, Sellers may continue to use Firefox or Google Chrome.

Since the screens are changing, Sellers or their Secondary Market Advisors (SMAs) who depend upon the specific placement of data on a screen for automated scripts to run properly should contact their Freddie Mac representative or call the Customer Support Contact Center at (800) FREDDIE for assistance with the transition.

Resources

Sellers are encouraged to visit Freddie Mac Learning to sign-up for the “[Loan Selling Advisor](#)” webinar.

Additional resources on FreddieMac.com will be updated at a later date.

NON-DISCRIMINATION

Effective March 15, 2018

Freddie Mac fully supports the principles of equal opportunity and non-discrimination in all our business activities. Consistent with this view and also consistent with the [Minority and Women Inclusion Amendments Final Rule](#) issued by the FHFA, we are updating the Guide to require all Seller/Service providers with whom Freddie Mac does business to practice these principles as well. Seller/Service providers must not discriminate on the basis of race, color, religion, sex, age, marital status, disability, veteran status, genetic information (including family medical history), pregnancy, parental status, familial status, national origin, ethnicity, sexual orientation, gender identity or other characteristics protected by law.

Guide impact: Section 1301.12

ADDITIONAL GUIDE UPDATES

Cooperative share terminology

We are updating references from “Cooperative Share Mortgage” to “Cooperative Share Loan” to align with market and industry terminology. Additionally, we have standardized the usage of the following terms throughout the Guide and added them to the Glossary:

- Cooperative Share Loan
- Cooperative Project
- Cooperative Unit

Guide impacts: Sections 4201.22, 4302.2, 4302.3, 4303.2, 4303.3, 4303.4, 4304.7, 8202.8, 9202.19, 9205.1, 9205.4, 9205.6, 9205.8, 9206.7, 9206.8, 9207.3, 9207.4, 9208.3, 9208.4, 9209.3, 9209.4, 9501.3 and 9701.11, Guide Exhibit 57A and Glossary A – I

Clarifying Seller/Service responsibility for related third parties

We are updating the Guide to affirm the prohibition against Seller/Service sharing of the Freddie Mac Exclusionary List with related third parties and other parties except as expressly permitted under Section 1201.8(c), and to clarify the Seller/Service's responsibility for all actions of its related third parties regardless of whether Freddie Mac facilitates the Seller/Service-related third party relationship. This aligns with our [Related Third Party Agreement](#).

Guide impact: Section 2401.1

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 2017-26 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bll1726_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