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**TO: Freddie Mac Sellers**December 14, 2017 | 2017-28

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**SUBJECT: SELLING UPDATES**

This Guide Bulletin announces:

**Selling representation and warranty framework and disaster-related forbearance**

- [Permitting relief from enforcement of selling representation and warranties for Mortgages that have been subject to a disaster-related forbearance](#) – **August 25, 2017**

**Income commencing after the Note Date**

- Expansion of our [requirements for qualifying a Borrower for a Mortgage when the Borrower's income commences after the Note Date](#) – **March 14, 2018**

**Land Trust Mortgages**

- [Land Trust Mortgages are eligible for sale to Freddie Mac without a negotiated term of business](#)

**2018 loan limits**

- Updates to the Guide to [reflect the increases in the 2018 loan limits for both base conforming and super conforming Mortgages](#) – **January 1, 2018**

**Texas Constitutional amendments for home equity lending**

- Revised [Texas Home Equity Mortgage Uniform Instruments](#) for use with Texas Equity Section 50(a)(6) Mortgages – **January 1, 2018**

**Adjustable Rate Mortgage Credit Fee in Price**

- The Adjustable Rate Mortgage Credit Fee in Price will be assessed for [5/5 ARMs that are Home Possible® Mortgages that have loan-to-value \(LTV\) ratios greater than 90%](#)

**Additional Guide updates and reminders**

- 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.

**SELLING REPRESENTATION AND WARRANTY FRAMEWORK AND DISASTER-RELATED FORBEARANCE****Effective for Mortgages impacted by Eligible Disasters on and after August 25, 2017**

Currently, both versions of the selling representation and warranty framework require that, in order to qualify for relief from Freddie Mac's enforcement of certain selling representations and warranties, the Mortgage must not have been subject to a forbearance agreement during the applicable payment history period. At the direction of the FHFA and in alignment with Fannie Mae, we are revising the requirements of Versions 1 and 2 of the framework to permit relief for Mortgages subject to a disaster-related forbearance plan as a result of the Borrower being impacted by an Eligible Disaster, pursuant to Guide Chapter 8404.

As a result, relief from Freddie Mac's enforcement of selling representations and warranties is granted on either (i) the applicable payment history period end date (e.g., after the first 36 monthly payments due after the Settlement Date for Version 2 non-Relief Refinance Mortgages), or (ii) the date the Mortgage transitions out of

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disaster-related forbearance and is brought current, whichever is later. Requirements for each acceptable transition out of forbearance are as follows:

<b>Transition out of forbearance</b>	The relief is granted to Mortgages meeting the requirements of Guide Section 1301.11 including the following:
<b>Reinstatement</b>	The Mortgage is fully reinstated, as described in <a href="#">Section 9203.3</a>
<b>Repayment plan</b>	The Borrower agrees to a repayment plan and complies with the terms of the repayment plan, restoring the Mortgage to a current status
<b>Permanent modification</b>	The disaster-related forbearance transitions into a permanent modification, restoring the Mortgage to a current status

Payments due during the disaster-related forbearance period are considered to have been made on time for the purposes of these requirements only. For all other purposes, the standard Guide requirements related to forbearance and Delinquency apply.

Freddie Mac Loan Coverage Advisor® will be updated in summer 2018. We will announce the specific date in a future communication.

As a reminder, proper Servicing and default management reporting is critical to ensuring that the representation and warranty framework is applied correctly to Mortgages subject to a disaster-related forbearance plan.

Guide impact: Section 1301.11

## INCOME COMMENCING AFTER THE NOTE DATE

**Effective for Mortgages with Settlement Dates on and after March 14, 2018, but Sellers may implement immediately**

We are expanding our requirements for qualifying a Borrower for a Mortgage when the Borrower's qualifying income will commence after the Note Date. We are retaining the two options for qualifying these Borrowers and arranging the requirements in a side-by-side table for ease of reference. Key changes include:

### **Option one (commencement of the qualifying income prior to the Delivery Date is not required)**

- Expanding the gap between the Note Date and the commencement of the qualifying income to be up to a maximum of 90 days (currently only allow up to 60 days)
- Allowing a "no-cash-out" refinance as an eligible transaction type (currently only allow purchase transactions)
- Permitting a future salary increase with the Borrower's current employer as qualifying income, provided the documentation indicates the increase is fully approved and explicitly granted to the Borrower

### **Option two (commencement of the qualifying income prior to the Delivery Date is required)**

- No limit on the number of days between the Note Date and the commencement of the qualifying income (no change)
- Allowing a "no cash-out" refinance and a cash-out refinance as eligible transaction types (currently only allow purchase transactions)
- Permitting 2- to 4-unit Primary Residences, second homes and 1- to 4-unit Investment Properties as eligible property types (currently only allow a 1-unit Primary Residence)
- Removing the documentation requirement that the Seller must obtain the Borrower's paystub after the Note Date and prior to the Delivery Date, and requiring the Seller to represent and warrant that, by the Delivery Date, the income is no less than that used to qualify the Borrower for the Mortgage
- Reducing amount of other currently required documentation

## Both options

- Revising the calculation of the additional verified funds required to qualify the Borrower
- Removing the requirement for the Seller's written analysis confirming the employment contracts are reasonably common to the particular employment field, industry and/or region

## Delivery requirements

As soon as Sellers implement the new requirements, but no later than for Mortgages originated using the new requirements with Settlement Dates on or after March 14, 2018, Sellers must deliver the ULDD Data Point *Investor Feature Identifier* (Sort ID 368) and enter the valid value of "H57" for Borrower's with income commencing after the Note Date.

Guide impacts: Sections 5303.2 and 6302.9 and Guide Exhibit 34

## LAND TRUST MORTGAGES

Under negotiated terms of business, Freddie Mac purchases Land Trust Mortgages secured by properties in any State that by statute recognizes and permits the use of Land Trusts. We are now announcing that Land Trust Mortgages are eligible for sale under the Guide. The Guide requirements in new Section 5103.7 are the same requirements as contained in current terms of business, but reformatted into Guide text. We have retained our requirement for special documentation, the collateral assignment of beneficial interest (CABI). Our sample form of CABI, designed for use in Illinois, is not changing and is being added to the Guide as Guide Form 50.

We are adding definitions for "Land Trust" and "Land Trust Mortgage" to the Glossary, and making corresponding changes to other Glossary terms.

Sellers with an existing Land Trust Mortgage term of business will be contacted about any impacts to that term.

As an additional resource refer to our [Land Trust Mortgage FAQs](#).

Guide impacts: Sections 4101.8, 4201.21, 4302.2, 4304.4 and 5103.7, Exhibit 1, Form 50 and Glossary A-I and Glossary J-Q

## 2018 LOAN LIMITS

### Effective for Mortgages with Freddie Mac Funding or Settlement Dates on and after January 1, 2018

As announced in our [November 28, 2017 Single-Family News Center article](#), the FHFA has increased the maximum base conforming and designated high-cost area loan limits effective January 1, 2018. 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, 2018, are as follows:

Maximum Loan Limits				
Property type	On and before December 31, 2017		On and after January 1, 2018	
	Maximum Base Conforming Loan Limits <sup>1</sup>	Maximum Super Conforming Loan Limits <sup>1, 2</sup>	Maximum Base Conforming Loan Limits <sup>1</sup>	Maximum Super Conforming Loan Limits <sup>1, 2</sup>
Mortgages secured by 1-unit properties	\$424,100	\$636,150	\$453,100	\$679,650
Mortgages secured by 2-unit properties	\$543,000	\$814,500	\$580,150	\$870,225

Maximum Loan Limits				
Property type	On and before December 31, 2017		On and after January 1, 2018	
	Maximum Base Conforming Loan Limits <sup>1</sup>	Maximum Super Conforming Loan Limits <sup>1, 2</sup>	Maximum Base Conforming Loan Limits <sup>1</sup>	Maximum Super Conforming Loan Limits <sup>1, 2</sup>
Mortgages secured by 3-unit properties	\$656,350	\$984,525	\$701,250	\$1,051,875
Mortgages secured by 4-unit properties	\$815,650	\$1,223,475	\$871,450	\$1,307,175

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

<sup>2</sup>Actual loan limits for specific counties in high-cost areas, as determined by the FHFA, may be lower than the maximum permitted loan limit listed above. Visit the FHFA [loan limits web 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 2018 loan limits permitted for the specific county in which the property is located. The FHFA provides this information on its [web site](#).

Loan Quality Advisor<sup>®</sup> was updated on December 3, 2017 so Sellers may begin evaluating Mortgages with these new loan amounts immediately. Loan Product Advisor<sup>®</sup> was also updated on December 3, 2017 so Sellers may begin originating Mortgages with these new loan amounts immediately. However, Mortgages meeting the 2018 limits are not eligible for sale to Freddie Mac until on or after January 1, 2018.

Loan Selling Advisor<sup>SM</sup> was also updated on December 3, 2017. Mortgages originated with loan amounts that meet the 2018 loan limits, but not the 2017 loan limits, **must not** have a Freddie Mac Funding Date or Settlement Date earlier than January 1, 2018.

Guide impacts: Sections 4203.3 and 4603.2

## TEXAS CONSTITUTIONAL AMENDMENTS FOR HOME EQUITY LENDING

### Effective January 1, 2018

Due to the recently approved amendments to the Texas Constitution affecting home equity lending, Freddie Mac and Fannie Mae have revised applicable Texas Home Equity Uniform Instruments. The revised documents can be accessed on our [web page](#) by January 1, 2018.

The amendments will take effect on January 1, 2018, and apply to loans made on or after this date. Therefore, Sellers must use these revised forms for all Texas Equity Section 50(a)(6) Mortgages (“Texas Equity Mortgages”) with Note Dates on or after January 1, 2018. Sellers must not use the current Forms 3044.1, 3185, 3244.1, 3522.44 or 3528.44 for any Texas Equity Mortgages with Note Dates after December 31, 2017.

Sellers must also comply with the other new requirements for Texas Equity Section 50(a)(6) Mortgages that are effective January 1, 2018.

The recent amendments require the lender to provide a revised notice to the Borrower at least 12 days prior to closing; this notice may not be provided before January 1, 2018 for Texas Equity Mortgages originated pursuant to the recent amendments. **Due to the revised notice requirement, Freddie Mac will not purchase any Texas Equity Mortgages closed during the period of January 1 through January 12, 2018 if such Mortgages have Note Dates on or after January 1, 2018.**

Freddie Mac will continue to purchase Texas Equity Mortgages with Note Dates prior to January 1, 2018 that were originated with the current Forms 3044.1, 3185, 3244.1, 3522.44 or 3528.44.

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Guide impact: Section 4301.7

## **ADJUSTABLE RATE MORTGAGE CREDIT FEE IN PRICE**

In Bulletin 2017-26 we announced eligibility of 5/5 ARMs for purchase as Home Possible® Mortgages. As a result of this change, we are now updating the Guide to reflect that, effective December 14, 2017, 5/5 ARMs that are Home Possible Mortgages with an LTV ratio greater than 90% are included in the ARMs subject to the Adjustable Rate Mortgage 25 basis point Credit Fee in Price.

Guide impact: Exhibit 19

## **ADDITIONAL GUIDE UPDATES AND REMINDERS**

### **ULDD Phase 3**

As announced in our [December 13, 2016 Single-Family News Center article](#) and most recently updated in our [November 7, 2017 Single-Family News Center article](#) the Phase 3 ULDD Data Point requirements are reflected in the ULDD Phase 3 specification addendum included in Appendix D – Freddie Mac XML Data Requirements Reference Tool V.4.0.3.

Sellers will be required to comply with the ULDD Phase 3 requirements as of the mandate date in May 2019. We will provide the exact May 2019 mandate date in a subsequent communication as well as an Application Received Date that will help Sellers manage their pipelines.

Loan Selling Advisor will be updated by February 26, 2018 and the ULDD Phase 3 transition period will take place from February 26, 2018 to the mandate date in May 2019. During the transition period, Sellers may begin delivering the applicable Phase 3 ULDD Data Points, via manual entry or data import, as soon as they are operationally ready to do so. We will update the Guide to incorporate the ULDD Phase 3 data requirements for specific delivery programs, Mortgage Products, information, attributes and characteristics in a subsequent Bulletin.

Freddie Mac recently began rollout of the customer test environment to Sellers and vendors for testing import functionality of the data requirements and formats in ULDD Phase 3, including the Home Mortgage Disclosure Act (HMDA) demographic information data points. Testing of the full functionality will be provided in advance of the February 26, 2018 implementation and will be communicated once it's available. Contact your Freddie Mac representative for additional information.

Sellers can also visit the [ULDD web page](#) for more information and guidance related to ULDD Phase 3.

### **Directory 1 updated with Bulletin 2017-27**

#### **Effective December 13, 2017**

In Bulletin 2017-27 we updated Directory 1 to add a specific Legal Division contact, Vice President and Deputy General Counsel – Single Family Real Estate, for Seller/Service providers sending a request to disclose confidential information under Section 1201.8.

## **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 2017-28 (Selling) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1728\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1728_spreadsheet.xls).

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## 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,

A handwritten signature in cursive script, appearing to read "Christina K. Boyle".

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