



TO: Freddie Mac Sellers

February 28, 2018 | 2018-3

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Updates related to Eligible Disaster Areas impacted by recent disasters

- Updates concerning [automated collateral evaluation \(ACE\) appraisal waiver offers and collateral representation and warranty relief for Eligible Disaster Areas impacted by recent disasters](#)
- [Mortgages subject to a disaster-related forbearance plan as a result of the Borrower being impacted by a recent 2017 Eligible Disaster are not required to be included in the targeted quality control sample](#)

Cash payups for Mortgages with low loan balances

- Updates to the Guide to expand our [low loan balance \(LLB\) cash payups to include additional Mortgages](#)

Condominium Unit Mortgage Credit Fee in Price

- [Mortgages secured by detached Condominium Units will no longer be assessed the Condominium Unit Mortgage Credit Fee in Price – March 1, 2018](#)

Guide Form 442, *Appraisal Update and/or Completion Report*

- [The option to submit Form 442 to the Uniform Collateral Data Portal® \(UCDP®\)](#)

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.

UPDATES RELATED TO ELIGIBLE DISASTER AREAS IMPACTED BY RECENT DISASTERS

ACE appraisal waiver offers and collateral representation and warranty relief for properties in Eligible Disaster Areas

Due to recent natural disasters, we previously stated that Sellers may not accept ACE appraisal waiver offers, and that collateral representation and warranty relief would not be available for properties located in zip codes corresponding to Eligible Disaster Areas affected by the California wildfires (with the exception of Orange County), Hurricane Harvey, Hurricane Irma or Hurricane Maria unless certain conditions were met.

Loan Product Advisor®, Loan Collateral Advisor® and Loan Selling AdvisorSM were updated to remove eligibility offers and messages for ACE appraisal waiver offers and representation and warranty relief for all impacted zip codes. Moving forward, as areas become eligible for ACE appraisal waiver offers and collateral representation and warranty relief again, these systems will be updated to reflect the applicable ACE appraisal waiver offers and collateral representation and warranty relief messages. As Sellers begin receiving these offers and messages, they may accept them without consideration of the associated Note Date of the Mortgage or confirming the condition of the Mortgaged Premises has not been adversely impacted. Once eligibility is reinstated, standard Guide eligibility with respect to appraisal waivers and collateral representation and warranty relief will apply.

With this Bulletin, Freddie Mac is announcing that it has begun to re-establish ACE appraisal waiver offers and Loan Collateral Advisor collateral representation and warranty relief for certain zip codes impacted by the California wildfires. The additional flexibilities identified in Bulletin 2017-24 remain in effect.

Freddie Mac will continue to monitor the areas that remain ineligible for appraisal waivers and Loan Collateral Advisor collateral representation and warranty relief, including those associated with the hurricanes, and will re-establish eligibility as warranted. As eligibility is further reinstated, Freddie Mac systems will be updated accordingly and the same guidance provided above will apply.

Targeted quality control sample

Guide Section 3402.4(b) states that Sellers must select all Mortgages sold to Freddie Mac that become 60 days or more past due in the first six months following the Note Date for a review as part of the Seller's in-house quality control program. In addition to the temporary selling and Servicing requirements announced in 2017 for Mortgages impacted by Eligible Disasters, this Bulletin provides that Mortgages subject to a disaster-related forbearance plan as a result of the Borrower being impacted by the California wildfires, Hurricane Harvey, Hurricane Irma or Hurricane Maria, pursuant to Guide Chapter 8404, are not required to be included in this targeted sample.

CASH PAYUPS FOR MORTGAGES WITH LOW LOAN BALANCES

Effective February 1, 2018

Bulletin 2017-10 announced a new opportunity for Sellers to receive LLB cash payups for Mortgages with UPBs less than or equal to \$175,000. As announced in our [January 19, 2018 Single-Family News Center article](#), effective February 1, 2018, we expanded our cash payups for Mortgages with LLBs to permit LLB cash payups for 30-year fixed-rate Mortgages with UPBs less than or equal to \$200,000.

Loan Selling Advisor began displaying the additional daily cash payout information for this loan attribute in both the PDF and XML grids on February 1, 2018. To take advantage of this new cash payout offering, Sellers must:

- Submit a request to receive payout pricing through the manual spot bid process by sending a data file containing the following information to cash_ex@FreddieMac.com: product type, UPB, State where the Mortgaged Premises is located, FICO® score and loan-to-value (LTV) ratio. Freddie Mac will provide contract pricing based on the loan-level data received. A data template can be provided by sending a request to the e-mail address stated above.
- Submit payout pricing requests and the required data by 4:15 p.m. Eastern time to ensure applicable contracts are submitted to Loan Selling Advisor before the cash desk closes at 5:00 p.m. Eastern time

Guide impact: Section 6302.39

CONDOMINIUM UNIT MORTGAGE CREDIT FEE IN PRICE

Effective for Mortgages with Settlement Dates on and after March 1, 2018

Currently, we assess a Credit Fee in Price of 75 basis points for all Condominium Unit Mortgages with an LTV ratio greater than 75%. In Bulletin 2017-8 we eliminated the separate underwriting paths for streamlined project reviews, which resulted in the consolidation of our LTV/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) requirements. We also simplified the project eligibility requirements for Detached Condominium Projects.

As a result, we reviewed our pricing for Condominium Unit Mortgages and, for Mortgages that are secured by detached Condominium Units, we will no longer assess the Condominium Unit Mortgage Credit Fee in Price. The Credit Fee in Price for Mortgages secured by attached Condominium Units will continue to be assessed.

For Mortgages sold under the Cash program, Sellers must deliver the ULDD Data Point *Investor Feature Identifier* (Sort ID 368) and enter the valid value of "H04" for Mortgages secured by detached Condominium Units. To ensure that the Condominium Unit Mortgage Credit Fee in Price will not be assessed for

Mortgages secured by detached Condominium Units, Sellers must deliver the Investor Feature Identifier "H04."

For Mortgages sold under the Guarantor program, there are no additional delivery requirements. To ensure that the Condominium Unit Mortgage Credit Fee in Price will not be assessed for Mortgages secured by detached Condominium Units, Sellers must deliver the existing ULDD Data Point *Attachment Type* (Sort ID 50) of "Detached."

Guide impacts: Section 6302.20 and Guide Exhibits 19 and 34

GUIDE FORM 442, APPRAISAL UPDATE AND/OR COMPLETION REPORT

Option to submit Form 442 to the Uniform Collateral Data Portal

Effective October 30, 2017

As announced in our [October 17, 2017 Single-Family News Center article](#), we began supporting Form 442 in the Uniform Collateral Data Portal (UCDP), effective October 30, 2017. We are updating the Guide to specify that when Form 442 has been utilized to report an update of an appraisal and/or a certification of completion, Sellers have the option to submit the form to the UCDP.

Guide impact: Section 5601.14

Overview of appraisal report forms

As announced in Bulletin 2017-23, Sellers are required to report the results of an appraisal update on Form 442. As such, we are updating the Guide to add Form 442 to our list of appraisal report forms.

Guide impact: Section 5601.7

ADDITIONAL GUIDE UPDATES AND REMINDERS

Inclusion of Cooperative Share Loans in maximum aggregate UPB calculations

We are updating the Guide to include references to Cooperative Share Loans in calculating the maximum aggregate UPB of certain Mortgage types that may be included in the aggregate UPB of all Mortgages in:

- A Gold PC Pool under the fixed-rate Guarantor Program or
- A specific delivery under the MultiLender Swap program

Cooperative Share Loans may only be included in the maximum aggregate UPB calculations if permitted under the Seller's Purchase Documents.

Guide impact: Section 6202.3

Changes impacting Sellers from Bulletin 2018-2

We are notifying Sellers of the following changes that were announced to Servicers in Bulletin 2018-2.

Forms 16SF, Annual Eligibility Certification Report, and 1107SF, Seller/Servicer Change Notification

Effective November 10, 2017

We periodically review and adapt Forms 16SF and 1107SF to meet changing needs. As a result of Seller/Servicer feedback and our internal review, we updated Forms 16SF and 1107SF to provide more flexibility for Seller/Servicers. Changes include:

- Enabling Seller/Servicers to add or remove recipients and designate which reminders and notices they receive related to Forms 16SF and 1107SF
- Enabling Seller/Servicers to attach documents to Form 16SF (e.g., insurance declarations pages, documentation describing organizational changes, etc.). The ability to attach documents to Form 1107SF was added in a previous update.

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- Enabling Seller/Service providers to identify themselves as a privately insured bank or credit union or an international bank
 - Adding an e-mail confirmation that will be sent to the certifying officer, person submitting either Form 16SF or Form 1107SF (if different from the certifying officer), and the Primary Freddie Mac Business Contact to confirm receipt of the either Form 16SF or Form 1107SF

The electronic versions of these forms were updated on November 10, 2017. We will update the sample Form 16SF on FreddieMac.com and the PDF version of Form 1107SF in the Guide in a future Bulletin. Although Seller/Service providers will not see the above edits in the PDF version of Form 1107SF until then, the version of the PDF Form 1107SF in the Guide may be used until the updated version is available.

Document Custody updates

Additional Designated Custodian

In November 2017, we began permitting Seller/Service providers to use Wells Fargo Bank, N.A. as a Designated Custodian, providing Seller/Service providers a choice of either The Bank of New York Mellon Trust Company, N.A. (“BNYM”) or Wells Fargo Bank, N.A. (“Wells Fargo”) as Designated Custodian, except with respect to Mortgages sold through the Servicing Released Sales Process as stated below.

As announced in Bulletin 2018-2, Seller/Service providers that wish to establish a new Designated Custodian relationship with Wells Fargo must complete new Form 1035WF, *Designated Custodial Agreement: Single Family Mortgages (Wells Fargo Bank, N.A.)*. Once completed, the paper version of the form executed by the Seller/Service provider must be delivered to Wells Fargo at the address provided in Directory 4.

Unless otherwise requested by Freddie Mac, Seller/Service providers that have an existing Form 1035, *Document Custodial Agreement: Single Family Mortgages*, with Wells Fargo Bank and utilize Wells Fargo as Document Custodian:

- Do not need to complete a Form 1035WF
- Are no longer required to monitor the eligibility status of Wells Fargo because Freddie Mac performs that function for Seller/Service providers. However, the requirement of Section 2202.5(b) that a Seller/Service provider notify Freddie Mac within one day of learning of the noncompliance of its Document Custodian (including a Designated Custodian) continues to apply.

Notes for Mortgages sold through the Servicing Released Sales Process must continue to be delivered to BNYM as Designated Custodian.

Contracting with Document Custodians

In response to Seller/Service provider inquiries, we updated the Guide to include our requirement on the number of Document Custodians with which each Seller/Service provider number may contract. Seller/Service providers must enter into a Tri-Party Agreement with a Document Custodian for each Seller/Service provider number. The Guide now states that Seller/Service providers may enter into Tri-Party Agreements with two Document Custodians per Seller/Service provider number, provided that at least one of them is a Designated Custodian.

Glossary updates

We added a Glossary definition for the term “Tri-Party Agreement” to refer to the suite of document custodial agreements between Freddie Mac, the Seller/Service provider and Document Custodian(s) (including the Designated Custodians): Forms 1035, 1035DC, *Designated Custodial Agreement: Single Family Mortgages (The Bank of New York Mellon Trust Company, N.A.)*, and 1035WF. We also updated the Glossary definitions of “Designated Custodian” and “Document Custodian.”

Document Custodian certification and verification services

In response to Document Custodian inquiries and to increase their efficiency, Freddie Mac may contract with certain Document Custodians to perform certification and/or verification services outside of the United States based on images of original documents. Such Document Custodians must maintain all original documents in a domestic vault and adhere to the strict requirements for information security and safeguarding of Borrowers’

private personal information as required in the Guide and Tri-Party Agreements. Seller/Servicers have no obligation to Freddie Mac to monitor or audit a Document Custodian's provision of services offshore. Such an arrangement by the Document Custodian, requiring Freddie Mac approval, should have no impact on a Seller/Servicer's current operations or obligations.

Receipt of Notes and/or other related documents from BNYM for Mortgages paid in full

Effective March 1, 2018

Seller/Servicers that utilize BNYM as a Document Custodian no longer automatically receive loan documentation from BNYM based upon Freddie Mac's "Paid in Full" file, which identifies Mortgages that have been paid off due to loan maturity or otherwise. To request the return of a Note and/or other documents from BNYM as Designated Custodian, Seller/Servicers must use the process described in Section 8107.1(b)(ii). Contact BNYM with questions about their change in process (see Directory 4 for BNYM's contact information).

Guide and Document Custody Procedures Handbook updates

As a result of the changes related to Document Custody, we:

- Created new Form 1035WF
- For ease of reference and use, incorporated the Tri-Party Agreements (i.e., Forms 1035, 1035DC and 1035WF) into the Guide as fillable forms; and
- Updated Guide Chapters 2202 and 8107, Sections 6101.7, 6301.8, 6304.1, 7101.9, 8601.12, 9203.6, 9301.11, Directory 4, Exhibit 28A and Glossaries A-I and R-Z

Additionally, we updated the Document Custody Procedures Handbook to reflect these changes.

Liability insurance for condominiums

In response to Seller/Servicer feedback, we reviewed our requirements and removed the requirement that the condominium homeowners association maintain certain additional liability insurance coverage, including the following:

- Comprehensive automobile liability
- Bailee's liability
- Elevator collision liability
- Garage keeper's liability
- Host liquor liability
- Workers' compensation and employer's liability
- Contractual liability

Section 8202.5 was updated to reflect these changes.

Transit insurance

We updated Section 2202.5 to clarify that the transit insurance carried by Document Custodians and Seller/Servicers must identify Notes as Negotiable Instruments (as defined in Section 3-104 of the model Uniform Commercial Code) and must not exclude from coverage Notes with open endorsements.

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 2018-3 (Selling) Guide Updates Spreadsheet available at http://www.freddiemac.com/singlefamily/guide/docs/bl1803_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,

A handwritten signature in cursive script that reads "Christina K. Boyle".

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