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**TO: Freddie Mac Sellers**

December 5, 2018 | 2018-24

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## **SUBJECT: SELLING UPDATES**

This Guide Bulletin announces:

### **Single Security Initiative**

- Guide updates related to the [Single Security Initiative](#) – **June 3, 2019**

### **10-day pre-closing verification requirements for union members**

- Updates to our requirements for [10-day pre-closing verifications](#) for union members

### **Master insurance policy for unaffiliated projects**

- Revised requirements for [unaffiliated projects](#) with a master insurance policy – **December 12, 2018**

### **2019 loan limits**

- Updates to the Guide to reflect the increases in the [2019 loan limits](#) for both base conforming and super conforming Mortgages – **January 1, 2019**

### **Document Custodian requirements**

- Updates to our requirements related to [Document Custodians](#) – **January 1, 2019**

### **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.

## **SINGLE SECURITY INITIATIVE**

### **Effective for contracts taken out on or after April 19, 2019 with Settlement Dates on or after June 3, 2019**

In support of the [Single Security Initiative](#) (“Initiative”), Freddie Mac is updating its Guide to reflect changes required by the Initiative, including new naming conventions for the securities Freddie Mac will issue beginning June 3, 2019 and the payment delay for these securities.

Under the Initiative, Freddie Mac and Fannie Mae (“GSEs”) will issue a common to-be-announced (TBA)-eligible Mortgage-backed security backed by fixed-rate Mortgages on one- to four-unit single-family properties. This new security, the Uniform Mortgage-Backed Security™ (UMBS™), will combine key components of Freddie Mac’s Participation Certificates (PCs) and Fannie Mae’s mortgage-backed securities (MBS). The goal of the Initiative is to increase the liquidity of the TBA market and to reduce the disparities in trading value that exist today between Freddie Mac’s and Fannie Mae’s single-class mortgage-backed securities.

As part of the Initiative, Freddie Mac is adopting the 55-day payment delay for all of its new issues of single-family fixed-rate securities. As a result, Freddie Mac will no longer issue Gold PCs beginning June 3, 2019.

Additional changes include:

- Freddie Mac’s TBA-eligible fixed-rate securities will be referred to as UMBS and non-TBA-eligible securities will be referred to as MBS
  - Re-securitizations of UMBS under the Guide will be referred to as Supers™
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- Introduction of a new 10-year fixed-rate security for TBA-eligible pools

The naming convention for WAC ARM PCs will not change and these securities will continue to have a payment delay of 75 days.

These changes are summarized in the following table:

Current and future Freddie Mac securities under the Guide*			
Level of securitization	Current	New products with the implementation of the Single Security Initiative	Notes
Level 1	Gold PCs (45-day, fixed-rate, TBA eligible and non-TBA eligible)	<ul style="list-style-type: none"> <li>• UMBS (55-day, fixed-rate, TBA eligible)</li> <li>• MBS (55-day, fixed-rate, non-TBA eligible)</li> </ul>	Freddie Mac will stop issuing Gold PCs beginning on June 3, 2019
	WAC ARM PCs (75-day, adjustable rate)	N/A	Freddie Mac will continue to issue WAC ARM PCs (75-day, adjustable-rate)
Level 2	Giant PCs (45-day, fixed-rate, TBA eligible)	Supers** (55-day, fixed-rate, TBA eligible) **Supers is a re-securitization of UMBS	Freddie Mac will stop issuing Giant PCs under the Guide beginning on June 3, 2019

\*This table presents only the securities available for issuance under the Guide

With this Bulletin, we are incorporating the new naming conventions described above. Impacted terms of business (TOBs) will be updated to align with the Guide changes described in this Bulletin. This Bulletin serves as notice to Sellers that impacted TOBs in their contracts will be amended by April 19, 2019. In addition to the Guide and TOB changes, the new naming conventions will be reflected in Freddie Mac's documentation, disclosures and marketing materials with the implementation of the Initiative.

In preparation for the Initiative, we are making the following Guide changes:

- Removing most references to specific fixed-rate Mortgage maturities (i.e., 15-year, 20-year, 30-year) and referring to the Mortgages as either "fixed-rate Mortgages" or "fixed-rate fully amortizing Mortgages" which will include, where eligible and appropriate, 10-year fixed-rate Mortgages backing the new 10-year fixed-rate security. Where necessary, some sections will retain references to individual maturities and will now include a specific reference to the "10-year" maturity.
- Removing references to "PC" in most instances, except for "WAC ARM PC" and related references
- Replacing generic "PC" references related to security types with UMBS, MBS, Supers or WAC ARM PC, as appropriate
- Adding new Glossary terms (e.g., UMBS, MBS and Supers), revising existing Glossary terms (e.g., WAC ARM PC and other PC-related terms) and deleting Glossary terms that are no longer applicable

To help ensure a smooth transition to this new market, Sellers should:

- Identify impacted systems, tools and business processes that use TBA pricing and security references that will need to change
- Develop plans to absorb naming convention changes, new prefixes and a new 10-year fixed-rate security into their hedging, best execution, pricing, pooling, risk management and reporting processes
- Determine their approach for Freddie Mac PC dollar rolls before the transition to the UMBS

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Sellers will be able to take out guarantor contracts, including the new 10-year guarantor contract, in Loan Selling Advisor® to deliver Mortgages into a UMBS or an MBS beginning on April 19, 2019 for Mortgages with Settlement Dates on or after June 3, 2019. Sellers will be able to take out Gold PC contracts for Mortgages with Settlement Dates before June 3, 2019.

For 10-year Mortgages that are sold through Cash-Released XChange<sup>SM</sup>, participating Servicers will be able to bid for the Servicing Contract Rights based on 10-year cash pricing. At this time, 15-year pricing applies to 10-year Mortgages. Servicers participating in Cash-Released XChange should incorporate this change to their pricing and business processes as appropriate.

### **Additional resources and Guide impacts**

Sellers should refer to the [Seller/Servicer Readiness Checklist](#) for important dates and additional resources.

Refer to the [Guide Updates Spreadsheet](#) for the impacted Guide provisions.

### **10-DAY PRE-CLOSING VERIFICATION REQUIREMENTS FOR UNION MEMBERS**

Previously, we allowed Sellers to obtain the 10-day pre-closing verification (10-day PCV) from the union instead of from the employer for any Borrower who was a union member and was in between employers at the time of loan closing.

We are specifying that the Seller may obtain the 10-day PCV from the union for a Borrower who is in between employers at the time of loan closing **or** is employed at the time of loan closing. This provides additional flexibility in recognition of the fact that in some instances it may be easier to reach the union than the Borrower's employer for the verification.

The applicable Loan Product Advisor® feedback message has been updated to align with this change.

Guide impact: Section 5303.2

### **MASTER INSURANCE POLICY FOR UNAFFILIATED PROJECTS**

#### **Effective December 12, 2018**

Currently, a Mortgage is not eligible for sale to Freddie Mac if the Mortgage is secured by a Condominium Unit in a Condominium Project or by a unit in a Planned Unit Development (PUD) with a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated Condominium Projects or PUDs.

In response to Seller/Servicer feedback, we are expanding our insurance requirements to accept a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated Condominium Projects and PUDs. Each covered project must have a dedicated policy limit and a specific dedicated deductible that meets certain requirements. Also, the policy must clearly state that each association is a named insured. Additional requirements must be met, including that the insurance policy complies with all requirements of the Guide and other Purchase Documents applicable to master or blanket insurance policies covering affiliated PUDs or Condominium Projects.

Guide impact: Section 8202.2

### **2019 LOAN LIMITS**

#### **Effective for Mortgages with Freddie Mac Funding or Settlement Dates on and after January 1, 2019**

As announced in our [November 27, 2018 Single-Family News Center article](#), the FHFA has increased the maximum base conforming and designated high-cost area loan limits effective January 1, 2019. 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, 2019, are as follows:

Maximum Loan Limits				
Property type	On and before December 31, 2018		On and after January 1, 2019	
	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	\$453,100	\$679,650	\$484,350	\$726,525
Mortgages secured by 2-unit properties	\$580,150	\$870,225	\$620,200	\$930,300
Mortgages secured by 3-unit properties	\$701,250	\$1,051,875	\$749,650	\$1,124,475
Mortgages secured by 4-unit properties	\$871,450	\$1,307,175	\$931,600	\$1,397,400

<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 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. There are no properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands with loan limits higher than the applicable base conforming limits for 2019. As a result, there are no super conforming limits specific to Alaska, Hawaii, Guam or the U.S. Virgin Islands for 2019.

For super conforming Mortgages, notwithstanding the maximum loan limits shown in the above chart, Sellers must review the 2019 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, 2018 so Sellers may begin evaluating Mortgages with these new original loan amounts immediately. Loan Product Advisor was updated on December 1, 2018 so Sellers may begin originating Mortgages with these new loan amounts immediately. However, Mortgages meeting the 2019 limits are not eligible for sale to Freddie Mac until on or after January 1, 2019.

Loan Selling Advisor<sup>®</sup> was updated on December 3, 2018. Mortgages originated with loan amounts that meet the 2019 loan limits, but are not eligible under the 2018 loan limits, **must not** have a Freddie Mac Funding Date or Settlement Date earlier than January 1, 2019.

Guide impacts: Sections 4203.3 and 4603.2

## DOCUMENT CUSTODIAN REQUIREMENTS

### Effective January 1, 2019

Freddie Mac permits Seller/Service providers to enter into Tri-Party Agreements with up to **two** Document Custodians per Seller/Service provider number, provided at least one of them is a Designated Custodian.

To provide flexibility, we will allow Seller/Service providers to enter into Tri-Party Agreements with up to **five** Document Custodians per Seller/Service provider number and are removing the requirement that one be a Designated Custodian.

Guide impact: Section 2202.1

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## ADDITIONAL GUIDE UPDATES AND REMINDERS

### Exhibit 19

We are updating Exhibit 19 to reflect that Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages with Settlement Dates on or after January 1, 2019 are excluded from the CS/LTV (“A-Minus Fees”) – Non-Loan Product Advisor Mortgages Credit Fee in Price and are subject to the Indicator Score/Loan-to-Value for Mortgages other than Relief Refinance Mortgages Credit Fee in Price.

Guide impact: Exhibit 19

### Form 1077, *Uniform Underwriting and Transmittal Summary*

**Effective for Mortgages with Application Received Dates on or after June 5, 2019, but Seller/Serviceers may begin using the revised form immediately**

Freddie Mac and Fannie Mae have completed a joint review of the Uniform Underwriting and Transmittal Summary (Form 1077/1008). As a result, we are making updates to the form, including:

- Removing the contact signature field
- Removing outdated information
- Adding a Project Classification Code of “Exempt from Review” for Mortgages delivered to Freddie Mac

Guide impacts: Section 5701.12 and Form 1077

### **Form 1077 alternative announced in Bulletin 2018-12**

Effective immediately, we are updating the Guide to align with Bulletin 2018-12, which announced an alternative equivalent form is permitted in the Mortgage file in lieu of Form 1077.

Guide impacts: Sections 4602.13 and 5701.12

### **Freddie Mac Access Manager reminder**

In Bulletin 2018-8 we updated the Guide in preparation for the availability of Freddie Mac Access Manager. This automated and delegated administration tool allows authorized Seller/Serviceers and certain Related Third Parties to create, manage and provision their user registration and access to Systems (as defined in Section 2401.1). Key benefits of Access Manager include:

- Grant fast access to Freddie Mac tools
- Control access by putting provisioning power in the Seller/Serviceer’s hands
- Submit information electronically, which saves time
- Eliminate most manual forms
- Reduce processing time
- Get on-demand reporting, which improves transparency of real-time data
- Lower risk with ability to occasionally recertify Seller/Serviceer’s user base to facilitate approved usage and role assignments

As announced in our [December 3, 2018 Single-Family News Center article](#), Access Manager is available to authorized Seller/Serviceers using certain Freddie Mac Systems listed on our [Access Manager web page](#).

For more information, including how to register and become authorized to use Access Manager, please visit the Access Manager web page at <http://www.freddiemac.com/singlefamily/accessmanager>.

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## Exhibits 4 and 5

Exhibit 4, *Single Family Uniform Instruments*, is being updated to include revised version dates for the Maine MERS® Mortgage Assignment and Louisiana Mortgage, as well as other technical corrections. Exhibit 5 *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, is being updated to delete the authorized change to the Maine MERS Mortgage Assignment (Form 3749).

Guide impacts: Exhibits 4 and 5

## 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 2018-24 (Selling) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1824\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1824_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,



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Single-Family Business