



**TO: Freddie Mac Sellers**

February 6, 2019 | 2019-4

## SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

### Condominium Projects

- Updates to our [Condominium Project](#) requirements

### Income

- Revisions to our [income](#) requirements

### Uniform Loan Delivery Dataset

- Updates to reflect the [Uniform Loan Delivery Dataset \(ULDD\) Phase 3](#) specification addendum

### Certificate of Incumbency

- Changes to our [Certificate of Incumbency](#) forms for Seller/Serviceers

### Investor Reporting Change Initiative

- A reminder to Sellers of the upcoming implementation of the [Standard Remittance Cycle](#)

### 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.

## CONDOMINIUM PROJECTS

In response to Seller feedback, we are updating our requirements for Condominium Projects as follows:

Topic	Revision
Freddie Mac Condo Project Advisor <sup>SM</sup> (Guide Section 5701.1)	We are clarifying that for a Condominium Unit Mortgage in an Established Condominium Project to be eligible for a Project Waiver Request (PWR), Sellers must comply with the project eligibility requirements for Established Condominium Projects set forth in Section 5701.5 as well as all other applicable requirements in Guide Chapter 5701.
Condominium Project review requirements (Section 5701.2(a))	Previously, Sellers were required to review and determine that a project complies with Freddie Mac's Condominium Project eligibility requirements prior to the Note Date.  To provide additional flexibility, we are updating the Guide to state that if a Mortgage secured by a unit in a Condominium Project does not comply with the eligibility requirements for the applicable project review type on the Note Date, the Seller may deliver the Mortgage at the time the Condominium Project meets the project eligibility requirements provided the Mortgage also meets all other applicable requirements.

Topic	Revision
Established Condominium Projects and New Condominium Projects – budget (Sections 5701.5 and 5701.6)	Previously, when calculating the amount of replacement reserves, Sellers were permitted to exclude income in reserve accounts but not permitted to exclude income allocated to reserve accounts. We now are allowing Sellers to exclude both income in reserve accounts <u>and</u> income allocated to reserve accounts.
New Condominium Projects – engineer’s report (Section 5701.6)	For conversions involving a Non-Gut Rehabilitation (as defined in Section 5701.1), the review requirements for an engineer’s report (or functionally equivalent documentation) now apply to buildings legally created within the past <b>three years</b> (reduced from <b>five years</b> ).

Guide impacts: Sections 5701.1, 5701.2, 5701.5 and 5701.6

## INCOME

### Commission income

Following recent tax law changes, unreimbursed employee expenses of commissioned employees will no longer be documented on federal individual tax returns. Consequently, we are removing the requirements that when the Borrower’s commission income is greater than or equal to 25% of the total income from the commissioned employment that the Seller:

- Obtain complete federal individual income tax returns for the most recent two-year period; and
- When calculating income, deduct unreimbursed employee expenses reflected on Schedule A and Internal Revenue Service (IRS) Form 2106 (if applicable) of the Borrower’s federal individual income tax returns from the Borrower’s gross commission income

As a result of this change, the documentation and income calculation requirements will be the same for all commission income, regardless of its percentage of the total income from the commissioned employment.

The applicable Loan Product Advisor® feedback messages will be updated at a later date to reflect these changes. Until then, Sellers may disregard the feedback messages requiring tax returns covering a two-year period when commission income is greater than or equal to 25% of the total income from the commissioned employment.

Guide impacts: Sections 5302.4, 5303.3 and 5303.4

### Automated income assessment eligibility

#### Effective for submissions and resubmissions to Loan Product Advisor on and after March 24, 2019

As a result of the above changes to our requirements for commission income, all commission income, regardless of its percentage of total income from the employment, will also be eligible for automated income assessment, which is part of Loan Product Advisor asset and income modeler (AIM). This expands the income sources eligible for this capability to include commission income greater than or equal to 25% of the total income from the commissioned employment.

Guide impact: Section 5901.2

### Guide Form 91, *Income Calculations*

We are updating Form 91 to reflect line item changes in tax documents resulting from the new tax law.

Separately, we are adding a note reminding Sellers that completion of the form does not replace the Section 5304.1(d) requirement for business review and analysis to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower.

For more information, register for our new webinar, "[Self-Employed: Beyond the Basics](#)," which includes case studies as well as information about business review and analysis. For additional self-employed resources, access the [Freddie Mac Learning Center](#).

Guide impact: Form 91

## REMINDER ON FREDDIE MAC INVESTOR REPORTING CHANGE INITIATIVE IMPLEMENTATION

In Bulletin 2016-15, we announced our Investor Reporting Change Initiative that will convert Freddie Mac’s single-family investor reporting requirements to be closer to an industry standard and change our remittance cycles. As highlighted in Bulletins 2017-4 and 2017-15, after April 30, 2019 Freddie Mac will no longer utilize the Gold remittance cycle, Accelerated Remittance Cycle (ARC), Super ARC and the First Tuesday remittance cycle. Effective with implementation of the initiative in May 2019, the Standard Remittance Cycle will apply to all Mortgages serviced for Freddie Mac.

As a reminder, for Guarantor and MultiLender Swap Contracts, **Loan Selling Advisor® will be updated on March 2, 2019** to include the Standard Remittance Cycle. For Guarantor and MultiLender Swap Contracts taken out on and after March 2, 2019 with Settlement Dates on and after May 1, 2019, Sellers will be able to select **only** the Standard Remittance Cycle.

While Sellers will continue to select currently available remittance cycles for Cash Contracts taken out on or before April 30, 2019, Cash Contracts with Funding Dates on and after May 1, 2019 will fund with the Standard Remittance Cycle regardless of when the Cash Contract was taken out. For Cash Contracts, Loan Selling Advisor will be updated on May 1, 2019 to require the Standard Remittance Cycle.

The table below provides remittance cycle details by contract type and the date the contract is taken out:

Contract type	Taken out on and after March 2, 2019 and on and before April 30, 2019	Taken out on and after May 1, 2019
Guarantor/MultiLender	All current remittance options will be available for contracts with Settlement Dates before May 1, 2019; however, the Standard Remittance Cycle will apply to those loans beginning May 1, 2019.	Only the Standard Remittance Cycle will be available.
Cash	<b>No Change.</b> All current remittance options will be available until April 30, 2019; however, the Standard Remittance Cycle will apply to those loans beginning May 1, 2019.	<ul style="list-style-type: none"> <li>• Only the Standard Remittance Cycle will be available</li> <li>• Note: Loans funding on or after May 1, 2019 will fund with the Standard Remittance Cycle regardless of when the Cash Contract was taken out</li> </ul>

## UNIFORM LOAN DELIVERY DATASET

As announced in the [November 20, 2018 Single-Family News Center article](#), Freddie Mac published the Uniform Loan Delivery Dataset (ULDD) specification addendum included in [Appendix A – Freddie Mac XML Data Requirements V.4.2.3](#) (“ULDD Addendum”).

We are making the following updates to Chapter 6302 to align with updates to the ULDD Addendum:

- Removing the delivery requirements and notes for ULDD Data Point *Escrow Balance Amount* (Sort ID 363) for all Mortgages from Section 6302.5. We continue to require the delivery of Escrow Balance Amount in the special delivery requirements for fixed-rate Mortgages sold through Cash-Released XChange<sup>SM</sup> in Section 6302.26.
- Clarifying the notes for ULDD Data Points *Special Flood Hazard Area Indicator* (Sort ID 24) to provide additional guidance on delivery of flood insurance data
- Updating the notes for ULDD Data Points *Closing Cost Contribution Amount* (Sort ID 151) and *Down Payment Amount* (Sort ID 172) to remove exclusion of prepaids/escrow items
- Clarifying the notes for ULDD Data Points *Counseling Confirmation Type* (Sort ID 576) and *Counseling Format Type* (Sort ID 578) for the requirements for homeownership education
- Clarifying the notes for ULDD Data Points *Attachment Type* (Sort ID 50), *Project Attachment Type* (Sort ID 41) and *Primary MI Absence Reason Type* (Sort ID 429)
- Adding 27 new valid values for ULDD Data Points *Escrow Item Type/Escrow Item Type Other Description* (Sort IDs 364/365)

Loan Selling Advisor will be updated on March 25, 2019 to include the new valid values for ULDD Data Points *Escrow Item Type/Escrow Item Type Other Description*. Sellers may deliver these new valid values beginning March 25, 2019 and will be required to do so, if applicable, with the ULDD Phase 3 mandate of May 20, 2019.

The ULDD Addendum also includes additional updates announced in prior Bulletins.

Sellers should review the ULDD Addendum in its entirety to determine impacts to their systems or processes and for applicable effective dates. Sellers should visit our [ULDD web page](#) to view the ULDD Addendum and other resources and to stay abreast of ULDD Addendum updates.

Guide impacts: Sections 6302.5, 6302.8, 6302.14, 6302.20, 6302.21, 6302.26 and 6302.41

## **SELLER/SERVICER CERTIFICATES OF INCUMBENCY**

We are updating our Certificate of Incumbency (COI) forms for Seller/Service's convenience as follows:

- Retitling Form 988SF-1 to Form 988SF and updating the form to expand its use to limited liability companies. With this change, we no longer require Form 988SF-2 for limited liability companies or the attorney letters, and we are deleting that form.
- Revising Forms 988SF and 989SF to make the forms easier to complete
- Enabling Seller/Service's to identify more Authorized Users than a single Form 988SF or Form 989SF can accommodate by submitting more than one form (in lieu of the special addendum form previously required), if they:
  - Indicate on each form (in ink if convenient) that it is part of a series, such as "Form 1 of 2"
  - Deliver them simultaneously and, when delivering more than one form by e-mail, use a single PDF for them all, and
  - Acknowledge that all such Forms 988SF or 989SF so submitted constitute one and the same instrument
- For both Forms 988SF and 989SF, identifying Seller's and Service's Authorized Users in one section

We are deleting Forms 988ASF and 989ASF, as they are no longer necessary. While Seller/Service's may continue to submit the old COI forms, Freddie Mac will not make them available.

Guide impacts: Sections 2101.12, 2201.1, 2201.2, 2403.11, 2405.1, 6203.8, 6204.8, 6205.8, 6301.10, 6303.2, 6305.8 through 6305.10, 8303.3, 8303.34, 8303.35, 9102.1, Forms 988SF, 988SF-2, 988ASF, 989SF and 989ASF

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## **ADDITIONAL GUIDE UPDATES**

### **Super conforming Home Possible® Mortgages**

In response to Seller feedback and for easier reference, we are revising the chart for maximum loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for Home Possible® Mortgages in Section 4501.10 to include the LTV, TLTV and HTLTV ratio limits for super conforming Home Possible Mortgages.

Guide impact: Section 4501.10

### **Seller representations and warranties regarding the Mortgaged Premises**

We are updating the Guide to align the language with how Loan Collateral Advisor® assesses an appraisal. We are specifying that to be eligible for appraised value representation and warranty relief, an appraisal must be submitted to the Uniform Collateral Data Portal® (UCDP®) which allows Loan Collateral Advisor to assess the appraisal for such relief. The UCDP feedback message FRE4000 (corrected from FRE0000) must be returned to the Seller to indicate eligibility for the appraised value representation and warranty relief.

We are also specifying the type of representation and warranty relief that is provided through Loan Collateral Advisor (relief for appraised value) and automated collateral evaluation (ACE) (relief for value, condition and marketability).

Guide impacts: Sections 4407.2 and 5601.9

### **Loan Collateral Advisor and ACE: Mortgages secured by Mortgaged Premises subject to resale restrictions**

For Mortgages assessed through Loan Collateral Advisor, we are revising the list of Mortgages that are ineligible for appraised value representation and warranty relief to remove Mortgages secured by properties subject to income-based restrictions and add Mortgages secured by Mortgaged Premises subject to all resale restrictions.

We also are revising the list of Mortgages ineligible for an appraisal waiver through ACE to remove certain Mortgages secured by properties subject to income-based resale restrictions because all Mortgages secured by Mortgaged Premises subject to resale restrictions were already ineligible.

Guide impacts: Sections 4407.2 and 5601.9

### **Credit report inquiries**

Bulletin 2018-13 announced that effective September 9, 2018, the required time frame for evaluating inquiries on a Borrower's credit report was reduced from 120 days to 90 days.

Since this change applies to requirements for a Seller's in-house quality control program, we are updating Sections 3402.5 and 3402.8 to reflect the 90-day period.

Guide impacts: Sections 3402.5 and 3402.8

### **Mortgaged Premises occupied by Borrower's parent or disabled child**

In Bulletin 2018-15, we updated the Guide to permit a Borrower who is a parent or legal guardian of someone with a physical or developmental disability and is occupying the home as a Primary Residence to be considered an occupying Borrower.

Since the intent of this language is to include all disabilities, we are removing the terms "physical" or "developmental" from the language to reflect that intent.

Guide impact: Section 5103.8

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## Investment Property Mortgages

In response to Seller inquiries, we are updating Section 4201.16 for Investment Property Mortgages. Freddie Mac does not permit Borrowers of Investment Property Mortgages for newly constructed homes that are purchase transactions to be affiliated with or related to the builder, developer or property seller. We are specifying that, for these purposes, the Borrower may not have an ownership interest in or employment with the builder, developer or property seller.

Guide impact: Section 4201.16

## Guide Exhibit 33, *Acknowledgment Agreement Incorporated Provisions*

In Bulletin 2018-26, we adopted a definition of Conveyance as set forth in Exhibit 33 and updated Section 1101.2(c) to prohibit such Conveyances without Freddie Mac's consent. Consistent with the language set forth in Section 1101.2(c) that was in effect prior to Bulletin 2018-26, we are updating the definition of Conveyance in Exhibit 33 to include conveyances of the Seller/Service's rights and obligations under the Guide or any of the Seller/Service's Purchase Documents.

Guide impact: Exhibit 33

## Loan Product Advisor asset and income modeler

As announced in our [December 11 Single-Family News Center](#) article, Loan Product Advisor asset and income modeler (AIM) is our solution for automating the manual processes of assessing Borrower assets and income. We are updating our Guide chapters on automated income assessment and automated asset assessment to incorporate references to AIM.

Guide impacts: Sections 5901.1 and 5902.1

## Freddie Mac Loan Advisor<sup>SM</sup>

Freddie Mac Loan Advisor Suite<sup>®</sup> is now Freddie Mac Loan Advisor<sup>SM</sup>: a new name with a renewed focus on the value each of our tools and capabilities bring our Sellers – every day. More than ever, we are committed to providing innovation and insights and collaborating to help Sellers become more efficient and cut costs; giving them an edge – The Freddie Edge<sup>SM</sup>. We are updating the Guide to reflect Freddie Mac Loan Advisor, where applicable.

Guide impacts: Sections 1301.11, 2402.2 and 5701.1

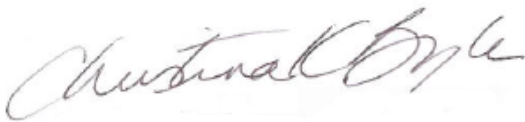
## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2019-4 (Selling) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bll1904\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bll1904_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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