



Bulletin 2022-11

Selling

Issued 06/01/2022

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Mortgages secured by properties with an ADU**
 - The expansion of our property eligibility requirements for [Mortgages secured by properties with ADUs](#)
 - New requirements for using [rental income from an ADU](#) on a subject 1-unit Primary Residence to qualify the Borrower
 - Information regarding using our [CHOICERenovation® Mortgage](#) offering to pay off the addition or renovation of an ADU
- **Asset and income modeler (AIM)**
 - The introduction of [automated employment assessment](#) with Loan Product Advisor® using account data
- **Condominium and Cooperative Projects**
 - An increase to the [maximum single investor concentration](#) for Condominium and Cooperative Projects
 - Revised [reciprocal project review requirements](#) for Fannie Mae-approved and certified projects
- **Desktop appraisal exclusions**
 - The exclusion of certain transactions from the use of [desktop appraisals](#) – **September 1, 2022**
- **Attorney opinion of title letter**
 - The requirement of a new *Investor Feature Identifier* for the Seller to report an [attorney opinion of title letter](#) in lieu of a title insurance policy – **September 1, 2022**
- **2022 Area Median Income limits**
 - Updated [Area Median Income limits](#) – **June 5, 2022**
- **Certificates of Incumbency and wire and automated clearing house (ACH) instructions**
 - Updated requirements for [Certificates of Incumbency, Wire Instructions and ACH instructions](#) – **June 8, 2022**
- **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.

ADU EXPANSION

ADUs offer many benefits, particularly in areas experiencing housing shortages. ADUs may provide more space for a homeowner or extended family or serve as a source of rental income. To support the growing popularity of ADUs and their role in increasing housing affordability, we have updated our requirements to provide more flexibility for Mortgages secured by properties with ADUs.

Please note that our ability to automate some of the requirements is limited because industry data standards have yet to be updated to capture key ADU data. We plan on working with our industry partners on updating Mortgage data standards in order to be able to automate more of our requirements in the future.

Property eligibility

Previously, a Mortgage secured by a property with an ADU was eligible for sale to Freddie Mac only if the property was a 1-unit dwelling. In response to recent zoning and ordinance changes in many geographic areas, we have expanded our ADU eligibility requirements to allow one ADU on 2- and 3-unit properties.

Additionally, we have added "ADU" to our [Glossary](#) and updated references from "accessory unit" to "ADU" throughout the Guide.

Guide impacts: [Sections 4501.9, 5601.1, 5601.2, 5601.6, 5602.3, 5604.1, 5605.4, 5703.2](#) and [Glossary](#)

Rental income generated from an ADU on a subject 1-unit Primary Residence

Previously, rental income generated from an ADU on a 1-unit Primary Residence could be considered for Mortgage qualification only when the Borrower had a disability and the rental income was from a live-in aide, or when the Mortgage was a Home Possible® Mortgage.

We have updated our requirements to allow rental income generated from an ADU on a subject 1-unit Primary Residence to be considered when qualifying the Borrower for a purchase or a "no cash-out" refinance Mortgage, provided that certain requirements are met, including but not limited to:

- The ADU must comply with zoning and land use requirements (legal, legal non-conforming or no zoning)
- An appraisal report must be obtained to support the ADU's marketability and include at least one comparable sale with an ADU that is rented. If an automated collateral evaluation (ACE) appraisal waiver is offered, it must not be accepted.
- The appraiser's rental analysis must include a minimum of three comparable rentals that support the market rent of the ADU, and at least one of the comparable rentals must be a property with an ADU
- The Seller must ensure that the ADU rental income used to qualify the Borrower for the Mortgage does not exceed 30% of the total stable monthly income
- At least one qualifying Borrower must participate in a landlord education program or have previous landlord experience for a minimum of one year

As a result of these expanded requirements, we have reorganized the content of [Guide Chapter 5306](#). No changes to our other rental income requirements have been made. In addition, [Guide Form 92, Net Rental Income Calculations](#), has been updated to incorporate the calculation and eligibility requirements for the use of rental income from an ADU on a subject 1-unit Primary Residence.

Guide impacts: [Chapter 5306](#), [Section 4501.9](#) and [Form 92](#)

Entering ADU rental income in Loan Product Advisor

When entering rental income from an ADU on a subject 1-unit Primary Residence, Sellers should select AccessoryUnitIncome under the Income Type data point (ID #258) as detailed in the Loan Product Advisor v5.0.06 Data Specifications.

ACE eligibility in Loan Product Advisor

When rental income generated from an ADU on a subject 1-unit Primary Residence is used to qualify the Borrower, Sellers must ignore the ACE appraisal waiver message and the corresponding data in the Assessment Summary of the Feedback Certificate that indicates ACE eligibility, if offered, because an appraisal report must be obtained.

Loan Product Advisor will be updated in the fall of 2022 with a new feedback message reminding Sellers that if rental income generated from an ADU on the subject 1-unit Primary Residence is used to qualify the Borrower, an ACE appraisal waiver may not be accepted. This message will only fire if the rental income generated from the ADU is entered into Loan Product Advisor as described above.

Delivery requirements

Effective for Mortgages with Settlement Dates on or after September 1, 2022, but Sellers are encouraged to implement these delivery requirements as soon as possible

Sellers must deliver the valid value of "J66" for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) for a Mortgage secured by a 1-unit Primary Residence with rental income generated from an ADU.

Guide impacts: [Sections 5306.3, 6302.8](#) and [Exhibit 34](#)

Use of "no cash-out" refinance Mortgage to help finance ADU construction or renovation

We are specifying that our existing CHOICERenovation Mortgage offering provides an option to use a "no cash-out" refinance Mortgage to pay off short-term financing that financed ADU renovations, including the addition or renovation of an ADU, that is completed prior to the Note Date.

Guide impacts: [Sections 4607.6, 4607.9](#) and [4607.10](#)

Resources

We encourage Sellers to visit our [resources](#) page for ADUs.

AUTOMATED EMPLOYMENT ASSESSMENT WITH LOAN PRODUCT ADVISOR USING ACCOUNT DATA

We are introducing automated employment assessment with Loan Product Advisor using account data, which is a part of AIM. This offering is an automated solution to meet the 10-day pre-closing verification (10-day PCV) requirement, which uses account data (asset transaction data) obtained from the Borrower's asset account using third-party service providers or data from financial institutions.

We have added new [Chapter 5905](#), which details the requirements for this expansion of AIM, also known as "AIM for 10-Day PCV." This offering does not need to be used with other AIM offerings. For example, Sellers can document the income traditionally with a paystub and W-2 and then use this automated solution to meet the 10-day PCV requirement to help confirm the Borrower's employment.

The results of the automated employment assessment related to the 10-day PCV will be displayed in a message on the Feedback Certificate or reflected on the Freddie Mac verification report. Loan Product Advisor has been updated to include the following feedback messages to indicate when employment was successfully assessed using account data:

- [AIM using Direct Deposit feedback messages](#)
- [10-day PCV account data feedback messages](#)
- [10-day PCV payroll data feedback messages](#)

Third-party verification reports using payroll providers are acceptable in the Guide today. However, Loan Product Advisor will also provide feedback messaging for the 10-day PCV when payroll providers (Equifax, Finicity or Blend) are used.

We encourage Sellers to visit our updated [AIM webpage](#) for more information and to reach out to their Freddie Mac representative for more details on how to get started with AIM for 10-Day PCV. In addition, Sellers should review our [training resources](#).

Guide impacts: [Chapter 5905 \(new\)](#), [Sections 1301.11](#), [3402.5](#), [5102.4](#), [5302.2](#), [5904.1](#) and [5904.3](#)

CONDOMINIUM AND COOPERATIVE PROJECTS

Ineligible projects – Projects with excessive single investor concentration

Upon Sellers' requests and feedback, we have increased the maximum single investor concentration to 49% for purchase transactions in Condominium Project and Cooperative Project if certain conditions are met, including but not limited to:

- The single investor is marketing units for sale to further reduce their concentration to 25% or less of the units in Condominium Projects and to 20% or less for Cooperative Projects
- There are no planned or current special assessments in the project

See [Sections 5701.3\(j\)](#) and [5705.3\(j\)](#) for full details.

Guide impacts: [Sections 5701.3](#) and [5705.3](#)

Reciprocal project reviews – Fannie Mae-approved and certified projects

Due to Fannie Mae updating its Condo Project Manager™ (CPM™) (Condo Project Manager and CPM are trademarks of Fannie Mae) web-based tool, we are modifying our reciprocal project review requirements to integrate Fannie Mae's CPM changes. We are adding Guide requirements, including delivery instructions, for Condominium Projects with new CPM status designations "Approved by Fannie Mae" and "Certified by Lender."

Guide impacts: [Sections 5701.2](#), [5701.3](#), [5701.5](#), [5701.6](#), [5701.9](#) and [5701.12](#)

Delivery requirements

Sellers may deliver Condominium Unit Mortgages in Condominium Projects with a status designation of "Approved by Fannie Mae" with ULDD Data Point *Project Classification Identifier* (Sort ID 42) as "Project Eligibility Review Service" until the effective date stated below.

Effective for Mortgages with Settlement Dates on or after September 1, 2022, but Sellers may implement immediately:

All reciprocal project reviews with a status designation of "Approved by Fannie Mae" and "Certified by Lender" must deliver ULDD Data Point *Project Classification Identifier* (Sort ID 42) as "Condominium Project Manager Review."

Additionally, if the CPM status designation is "Approved by Fannie Mae," the Seller must also deliver ULDD Data Point *Investor Feature Identifier* (Sort ID 368) with the valid value of "K02."

As a result, the valid value of "Project Eligibility Review Service" will no longer be applicable for ULDD Data Point *Project Classification Identifier* (Sort ID 42).

Guide impacts: [Sections 5701.12, 6302.20](#) and [Exhibit 34](#)

DESKTOP APPRAISAL EXCLUSIONS

Effective for Mortgages with Settlement Dates on or after September 1, 2022

We are updating the Guide to exclude the following from being eligible for a desktop appraisal:

- Non-arm's length transactions
- Purchases when the property owner at the time of sale (i.e., the property seller) is a lender or a government entity

This prohibition will ensure there is an inspection of the property as there is a heightened degree of condition risk associated with these transactions.

Guide impact: [Section 5604.1](#)

ATTORNEY OPINION OF TITLE LETTER

Effective for Mortgages with Settlement Dates on or after September 1, 2022, but Sellers may implement immediately

We are adding a requirement that for each Mortgage delivered with an attorney's opinion of title in lieu of a title insurance policy, the Seller must report a valid value of "J18" (Attorney Opinion of Title Letter) for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) at loan delivery.

Guide impacts: [Section 4702.3, 6302.47](#) and [Exhibit 34](#)

AREA MEDIAN INCOME LIMIT UPDATES

Effective June 5, 2022

As announced in our recent [Single-Family News Center article](#), updated 2022 Area Median Income limits will be effective on June 5, 2022.

Loan Product Advisor will be updated on June 5, 2022 to reflect the 2022 Area Median Income limits. However, the [Home Possible Income & Property Eligibility tool](#) and the [Refi PossibleSM Income & Eligibility tool](#) will be updated on June 2, 2022 to reflect the updated limits.

The FHFA provides the Area Median Income estimates to Freddie Mac, which we use to determine the following:

- If the Borrower's annual qualifying income meets Home Possible Mortgage eligibility requirements
- If the Borrower's annual qualifying income meets Refi Possible eligibility requirements, and
- If the first-time homebuyer's qualifying income meets the requirements for the exclusion of the super conforming Mortgages Credit Fee in Price, as described in [Exhibit 19, Credit Fees](#)

For Manually Underwritten Mortgages, the updated Borrower income limits will be effective for Mortgages with Application Received Dates on and after June 5, 2022.

Effective June 5, 2022, Loan Product Advisor will apply the updated 2022 Area Median Income limits as follows:

Loan Product Advisor determination of Home Possible eligibility	
IF the Mortgage is submitted as a Home Possible Mortgage on and after June 5, 2022	THEN the following income limits are applied...

Loan Product Advisor determination of Home Possible eligibility	
For the following resubmissions: <ul style="list-style-type: none"> ▪ The last submission before the effective date was also a Home Possible Mortgage, and ▪ The income limits were met 	The better of the following income limits: <ul style="list-style-type: none"> ▪ 2021 Area Median Income limits at 80% of the Area Median Income OR <ul style="list-style-type: none"> ▪ 2022 Area Median Income limits at 80% of the Area Median Income
For the following submissions: <ul style="list-style-type: none"> ▪ The Mortgage is submitted for the first time ▪ The Key Number cannot be identified, or ▪ The last submission before the effective date was not submitted as Home Possible and/or did not meet the income eligibility limits 	2022 Area Median Income limits at 80% of the Area Median Income
Loan Product Advisor determination of Refi Possible eligibility	
IF the Mortgage is submitted or resubmitted as a Refi Possible Mortgage on and after June 5, 2022	THEN the 2022 Area Median Income limits apply at 100% of the Area Median Income

CERTIFICATE OF INCUMBENCY, WIRE AND AUTOMATED CLEARING HOUSE (ACH) INSTRUCTIONS

Effective June 8, 2022

We are adding language to the Certificate of Incumbency, Wire Transfer Authorization and Automated Clearing Housing (ACH) Transfer Authorization forms to indicate that:

- Wire Instructions (as defined in the forms) that have been inactive for two years or more will be expired, and
- ACH instructions in which the American Bank Association (ABA) routing number and bank account number have been inactive for more than two years will be expired

New Wire Instructions or ABA routing number and bank account number will be required to provide new instructions.

Additionally, we are updating the Guide to specify that a Seller/Servicer must require each of its Related Third Parties that are to be paid by Freddie Mac to sign and complete [Form 99V, *Certificate of Incumbency for Vendors*](#).

[Form 98, *Authorization for the Automatic Transfer of Funds for Vendors*](#), is also being updated to specify that vendors are permitted to authorize wire transfers as well as ACH transactions. In order for a vendor to receive expense reimbursements and incentive payments, the vendor must complete [Form 99V](#) and meet the certificate of incumbency requirements. All forms and documents must be accepted by Freddie Mac before the Related Third Party may submit [Form 98](#) to receive reimbursement.

Guide impacts: [Sections 2201.1, 2405.7, Forms 98, 99V, 483, 987E, 988SF, 988SF – HFA, 989SF, 990SF, 1132 and 1132A](#)

ADDITIONAL GUIDE UPDATES

Pledged collateral

Effective June 8, 2022

We are updating the Guide to specify that a Seller/Servicer may be required, under certain circumstances, to pledge collateral to Freddie Mac as a condition to or in connection with its business relationship with Freddie Mac.

Guide impact: [Section 2101.2](#)

Genworth Mortgage Insurance Corporation name change to Enact

Effective August 1, 2022

As previously announced in [Bulletin 2021-36](#), Genworth Mortgage Insurance Corporation began doing business as Enact Mortgage Insurance Corporation on February 4, 2022. The Guide is being updated to reflect the ULDD Data Point MI Company Name Type/ MI Company Name Type Other Description (Sort ID 413/414) enumerated value change from "Genworth" to "Enact." The MI Code "01" will remain the same.

Guide impacts: [Section 6302.21](#) and [Exhibit 10](#)

Leasehold non-monetary default provisions

We have updated our lease provisions related to non-monetary default requirements to remove a reference to nonpayment of ground rent, which would be considered a monetary default.

Guide impact: [Section 5704.1](#)

GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2022-11 (Selling) Guide Updates Spreadsheet via the Download drop-down available at

<https://guide.freddie.mac.com/app/guide/bulletin/2022-11>.

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,

Danny Gardner
Senior Vice President, Client and Community Engagement