

Bulletin

TO: Freddie Mac Sellers

April 5, 2023 | 2023-9

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Property appraisals**
 - An additional [completion report](#) flexibility for appraisals made subject to completion per plans and specifications
 - A specification related to the use of [site-built homes](#) as eligible comparable sales for CHOICEHome® Mortgages
- **Condominium Projects**
 - Updates related to [reciprocal project reviews – Fannie Mae-approved and certified projects](#)
- **Servicing Contract Rights**
 - Clarifications of terms related to [Servicing Contracts, Servicing Contract Rights and Transfers of Servicing – April 12, 2023](#)
- **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.

PROPERTY APPRAISALS

Warranty of completion of construction

For proposed or newly constructed properties where the appraisal report was completed "subject to completion per plans and specifications," Freddie Mac will now accept new Guide Form 400, *Warranty of Completion of Construction*, or a substantially similar form, confirming completion of the property. This completion report, which was offered for use as a COVID-19 flexibility in lieu of Form 442, *Appraisal Update and/or Completion Report*, will now be added to the Guide as an option for Sellers to evidence property completion. Form 400 can both provide a cost savings for Borrowers and save Sellers the processing time required to schedule the appraiser to perform the final inspection of the property. Relevant Guide sections have also been updated with references to the new form.

Guide impacts: Sections 5601.3, 5602.2, 5604.1, 5604.2, 5605.8 and Form 400 (**new**)

CHOICEHome Mortgage site-built comparable sales

To support our affordable and Duty to Serve goals, we have updated Section 5703.9 to specify the use of site-built homes as eligible comparable sales by appraisers for CHOICEHome Mortgages. Appraisers must use site-built comparable sales when appraising a CHOICEHome, if no other CHOICEHome sales are available, due to their construction and architectural design standards consistent with site-built homes.

Guide impact: Section 5703.9



RECIPROCAL PROJECT REVIEWS – FANNIE MAE-APPROVED AND CERTIFIED PROJECTS

In Bulletin 2022-11, we published changes to our reciprocal project review requirements in Section 5701.9(a) because Fannie Mae updated its Condo Project Manager™ (CPM™) (Condo Project Manager and CPM are trademarks of Fannie Mae) web-based tool. As part of those changes to Section 5701.9(a), we removed the requirement that the Condominium Project must comply with the requirements in Section 5701.3, and we updated the table in Section 5701.2(d) to reflect the removal of this requirement. With this Bulletin, we have updated Section 5701.2(a) to also reflect that Fannie Mae-approved and certified projects do not have to comply with the requirements in Section 5701.3.

Additionally, since the publication of Bulletin 2022-11, we have received questions regarding providing, when requested by Freddie Mac, the documentation reviewed to ensure compliance with Fannie Mae's "Full Review" requirements when "Certified by Lender" is the CPM status designation. As stated in Section 5701.9(a)(6), the Condominium Project must still comply with the general project eligibility requirements in Section 5701.2(b). This includes Section 5701.2(b)(6), which requires the Seller to retain all documentation related to the review of the Condominium Project and provide it upon request. For greater specificity, we have added a sentence to Section 5701.9(a) stating that the Seller must retain and provide upon request documentation supporting its analysis that the Condominium Project meets Fannie Mae's "Full Review" requirements when the CPM status designation is "Certified by Lender."

Guide impacts: Sections 5701.2 and 5701.9

CLARIFICATION OF TERMINOLOGY RELATED TO SERVICING CONTRACT RIGHTS

Effective April 12, 2023

We are clarifying certain terms related to Servicing Contracts, Servicing Contract Rights (SCRs) and Transfers of Servicing to emphasize the legal rights related to those agreements and to differentiate them from general industry usage of accounting terminology related to buying and selling mortgage servicing rights (MSRs). The changes are clarifying rather than substantive. For instance, we are replacing references to "MSR" with "SCR", where appropriate, as "MSR" is an accounting term under generally accepted accounting principles that allows Servicers to book the present value of a stream of anticipated servicing income under the Servicing Contract as an asset solely for accounting purposes. Such accounting treatment does not give rise to legal ownership of an asset that can be bought and sold. We also are making other clarifications to ensure consistent use of the more appropriate terms "Servicing Contract Rights" or "SCRs" that denote conditional contractual rights and obligations that are held, but not legally owned, by a Servicer and which can be assigned and assumed solely via a Freddie Mac-approved Transfer of Servicing.

To bring greater clarity to our Servicing-Released XChange® Mortgage delivery and related Concurrent Transfer of Servicing processes, we are changing the use of the term "Servicing Buyers" to "Transferee Servicer" to better reflect the Transferee Servicer's assumption of the Transferor Servicer's rights and obligations under the Servicing Contract with respect to its assignment of the Servicing Contract Rights to the Transferee Servicer.

As a reminder, all Sellers, upon the sale of a Mortgage to Freddie Mac, contractually agree to service the Mortgages for Freddie Mac and thereby become Servicers. Their agreement to service such Mortgages creates the Servicing Contract and related Servicing Contract Rights that can then be assigned to a Transferee Servicer in a Concurrent or Subsequent Transfer of Servicing. Moreover, we are clarifying our Servicing-retained sales process to emphasize that in no case does a Seller retain any rights, title or interest in the Mortgage or Servicing of the Mortgage. Rather, the Servicing Contract and related conditional Servicing Contract Rights are first created upon sale of the Mortgage to Freddie Mac.

Finally, we are updating the terminology in additional Guide provisions and definitions. We will be making similar changes to various systems and other external communications and marketing documents to ensure a consistent approach across Freddie Mac.

Guide impacts: Sections 1101.2, 1201.2, 1201.3, 1201.7, 1201.8, 1301.3, 1401.11, 1401.12, 1402.9, 2202.2, 2202.3, 2301.1, 2301.2, 2408.1, 3601.1, 3602.7, 3603.1 through 3603.6, 5703.7, 5704.1, 6101.5 through 6101.7, 6102.7, 6102.9, 6301.6, 6301.8, Glossary, Exhibits 28, 33, 102 and 104



ADDITIONAL GUIDE UPDATES AND REMINDERS

ULDD Phase 4a update

Effective September 1, 2023, but Sellers may implement immediately

We are announcing an update to the conditionality for ULDD Data Point *Initial Principal And Interest Payment Amount* (Sort ID 515.1) that will be effective after the Phase 4a mandate. The conditionality for this data point is required for purchase transaction Mortgages only when the *HELOC Indicator* (Sort ID 513) is “false”, and the *Loan Affordable Indicator* (Sort ID 513.1) is “true.” The data point will not be required for delivery on every related Mortgage, as the conditionality is currently stated.

ULDD Appendix A/D will be updated at a future date.

Guide impact: Section 6302.34

Grant of security interest

Effective November 1, 2022

In Bulletin 2022-20, we announced a requirement governing each Seller/Service’s grant to Freddie Mac of a security interest in that Seller/Service’s Servicing Contract Rights and language concerning partial release of our Lien (as defined in Section 1101.2). We are announcing our revision to Section 1101.2(c)(vii) to clarify that the entirety of our Lien on the Freddie Mac Collateral (as defined in Section 1101.2) related to a Transfer of Servicing will automatically be released upon the Effective Date of Transfer for a Freddie Mac-approved Transfer of Servicing. Our Lien on the Freddie Mac Collateral will remain in place with respect to any unauthorized Transfer of Servicing and any Collateral not involved in an authorized Transfer of Servicing. We are making this change retroactive to ensure that our Lien is released with respect to all authorized Transfers of Servicing that have occurred since November 1, 2022 in addition to future authorized Transfers of Servicing.

In addition, we revised Section 1101.2(c)(vi)(g) to clarify that Exhibit 105, *Pledge and Security Agreement*, is required only if specifically requested by Freddie Mac.

Guide impact: Section 1101.2

Uniform Instruments

Revised Texas Home Equity Security Instrument

We have updated Exhibit 5A, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, to reflect the revised signature block of the Texas Home Equity Security Instrument (Form 3044.1). Loan originators may begin using the revised Security Instrument immediately. In addition, Exhibit 4A, *Single-Family Uniform Instruments*, has been updated to reflect the revision date for the Texas Home Equity Security Instrument.

Guide impacts: Exhibits 4A and 5A

Revised Puerto Rico Security Instrument

We have revised Exhibit 5A to add the definition of Riders in the Puerto Rico Mortgage (Form 3052). Loan originators may begin using the revised Puerto Rico Mortgage Security Instrument immediately and must use it for Mortgages with Note Dates on or after June 1, 2023. In connection with the revised Puerto Rico Security Instrument, we have also added a new authorized change. Finally, Exhibit 4A has been updated to reflect the revision date for the Puerto Rico Security Instrument.

Guide impacts: Exhibits 4A and 5A

eMortgages

Addition of Guam as eligible for Remote Online Notarization

We have updated Exhibit 48, *Permitted States for Remote Online Notarization*, to include Guam in the permitted States for Remote Online Notarization, as defined in Section 1401.2. This change will allow Exhibit 48 to more accurately reflect current state legislature permitting Remote Online Notarization in the respective State.



Guide impact: Exhibit 48

Manufactured Homes in certificate of title States

Previously, Sellers could only sell eMortgages secured by Manufactured Homes located in Non-certificate of title States or certificate of title surrender States. We will now allow Sellers to sell eMortgages secured by Manufactured Homes located in certificate of title States.

Guide impact: Section 1402.7

Cash-Released XChange®

We have updated Section 5.1 of Exhibit 28A, *Loan Servicing Purchase and Sale Agreement for Cash-Released XChange®*, to require Sellers to notify Servicers of Funding Adjustment requests within 90 days of the Sale Date for unpaid principal balances or escrow deposits for a Loan (as defined in Exhibit 28A).

Guide impact: Exhibit 28A

Mortgage file language requirement

Effective date August 1, 2023

We are updating the Guide to state that all documents in the Mortgage file related to the origination of the Mortgage must be in English or translated into English.

Guide impacts: Sections 1201.9 and 5102.3

General warranties and representations by the Seller

We have updated Section 1301.8(a)(8) to add “as of the Note Date” to align with the analogous representation and warranty in Section 3101.1(d), which is made as of the Note Date.

Guide impact: Section 1301.8

Reminders for existing Guide requirements

Freddie Mac Exclusionary List

In Bulletin 2021-20, we streamlined our [Exclusionary List](#) screening requirements. As a reminder, Seller/Servicers must use the Exclusionary List to determine whether, as of the Note Date, a person or entity performing certain roles in the origination of the Mortgage or in the underlying real estate transaction is on the Exclusionary List. If a party whose name is on the Exclusionary List performed one of the roles listed in Section 3101.1, the Mortgage is not eligible for sale to Freddie Mac.

Also, Seller/Servicers must use the Exclusionary List to ensure that none of the Seller/Servicer’s own employees, and any third parties to whom these roles are outsourced or assigned, engaged in the sales, quality control or Servicing of Freddie Mac Mortgages are on the Exclusionary List.

The Exclusionary List is considered “Freddie Mac confidential information” for the purposes of Section 1201.8.

Fraud prevention, detection and reporting

We are reminding Seller/Servicers of their obligation (as specified in Section 3201.3) to cooperate with Freddie Mac to prevent and investigate fraud and other Suspicious Activity. Cooperation includes providing and assisting Freddie Mac, when permitted by law, in obtaining all information, documentation and records requested by Freddie Mac.

Please visit our [fraud prevention web page](#) for more information.

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 2023-9 (Selling) Guide Updates Spreadsheet via the Download drop-down available at

<https://guide.freddiemac.com/app/guide/bulletin/2023-9>.



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 black ink, which appears to read "K. Kauffman", is positioned below the word "Sincerely,".

Kevin Kauffman

Vice President, Single-Family Client Engagement