

Bulletin

TO: Freddie Mac Sellers

February 7, 2024 | 2024-1

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Adequacy and availability of insurance**
 - Additional specificity regarding Seller/Servicer responsibilities to ensure that the Mortgaged Premises is covered by [adequate insurance](#) – **June 1, 2024**
- **Credit underwriting**
 - Updated [age of tax return requirements](#)
 - Updated [trust income requirements](#) – **May 7, 2024**
 - Updated requirements for [direct account verifications](#)
- **Asset and income modeler**
 - Enhancements to automated income assessment with Loan Product Advisor® using [employed income data](#)
- **Automated collateral evaluation (ACE)**
 - The availability of [ACE appraisal waivers](#) for cash-out refinance Mortgages – **February 19, 2024**
 - New requirements for providing [estimated values](#) in Loan Product Advisor – **June 6, 2024**
- **Appraisals**
 - Updated [photo requirements for appraisal reports](#) with interior and exterior inspections – **June 6, 2024**
- **Homeownership education**
 - An update related to Guide Form 1103, *Supplemental Consumer Information Form (SCIF)*, regarding [homeownership education](#)
- **Monthly financial reporting requirements**
 - Updates to [monthly financial reporting requirements](#) – **April 30, 2024**
- **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.

ADEQUACY AND AVAILABILITY OF INSURANCE

Effective for Mortgages with Application Received Dates on or after June 1, 2024, but Seller/Servicers are encouraged to implement immediately

At the direction of the FHFA and in alignment with Fannie Mae, Freddie Mac is updating Guide Sections 4703.2 and 4703.3 to provide more specificity regarding Seller/Servicer responsibilities to ensure that the Mortgaged Premises is covered by adequate insurance to promote sustainable homeownership. The updates include:



- Specifying that claims must be settled on a replacement cost basis and that insurance policies that provide for claims to be settled at actual cash value or limit, depreciate, reduce or otherwise settle losses for less than a replacement cost basis are not eligible
- Specifying that the Seller/Servicer must verify the replacement cost value of the Mortgaged Premises as of the current insurance policy effective date and provide examples of acceptable replacement cost verification sources
- Deleting coinsurance requirements and references to guaranteed replacement cost, extended replacement cost and replacement cost coverage for master insurance policies
- Specifying that policy limits for master condominium and cooperative projects must be at least equal to 100% of the replacement cost value of the project's improvements, including Common Elements and residential structures, as of the current insurance policy effective date
- Relocating the placement of the Condominium Association Coverage Form or its equivalent requirement for master condominium insurance policies to the additional coverage section
- Updating flood insurance requirements for Condominium Projects to reflect the maximum coverage amount available from the National Flood Insurance Program per unit, consistent with Planned Unit Development (PUD) and Cooperative Project requirements

Guide impacts: Sections 4703.2 and 4703.3

CREDIT UNDERWRITING

Age of tax returns

We have updated the age of tax return requirements as follows:

- Updated the requirements to reflect dates specific to the 2023 tax year
- Expanded our requirements to permit alternative documentation in lieu of the Internal Revenue Service (IRS) confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:
 - Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2022 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2023 business return has not yet been filed; and
 - Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(d) in the row labeled "Business and/or individual tax return(s) – most recent calendar year not yet available"
- Specified that for all Mortgages with Note Dates on or after November 1, 2024, the most recent tax return(s) must be no older than 2023, regardless of other factors such as tax filing extension status or IRS tax filing deadline relief status

Guide impacts: Sections 5302.4, 5304.1 and 5903.6

Additional resources

Sellers should refer to our [FAQs](#) for additional information.

Trust income

Effective for Mortgages with Settlement Dates on or after May 7, 2024, but Sellers are encouraged to implement immediately

We are updating the trust income requirements as follows:



Requirement type	Current requirement	Updated requirement
History of receipt for trust income with pre-determined fixed payment	History of receipt is not required	Must document receipt of income for the most recent one-year
Documentation of continuance for all trust income types	Evidence of sufficient assets to support the qualifying income (e.g., bank statements, letter from trustee)	Specified that when the Borrower is the trustee, a letter from a trustee is not acceptable documentation

Guide impact: Section 5305.2

Feedback messages

Loan Product Advisor feedback messages to support this change will be announced at a future date.

Additional resources

Sellers should refer to our [FAQs](#) for additional information.

Asset documentation

Based on Seller feedback, we have updated our requirements for direct account verifications. With this update, verifications that are generated electronically by a financial institution are not required to contain the title, signature and phone number of a representative of the financial institution, which more closely aligns with the requirements for third-party asset verifications.

Guide impact: Section 5501.3

AUTOMATED INCOME ASSESSMENT WITH LOAN PRODUCT ADVISOR USING EMPLOYED INCOME DATA

We have enhanced automated income assessment with Loan Product Advisor using employed income data, which is part of asset and income modeler (AIM) and provides Seller relief from enforcement of certain representations and warranties related to the Borrower's income calculation. When submitted to Loan Product Advisor, data sourced directly from Borrower's paystub(s) and W-2 form(s) will now be included in the assessment. Representation and warranty relief eligibility for the income calculation will be included on the Feedback Certificate.

Guide impacts: Sections 1301.11, 3402.7, 5102.4, 5201.1, 5302.3, 5302.5 and 5901.1 through 5901.5

Feedback messages

Loan Product Advisor has been updated to incorporate the changes related to AIM, including [feedback message updates](#).

Additional resources

We encourage Sellers to access our [AIM training resources](#) to learn more about AIM for Loan Product Advisor using employed income data.

AUTOMATED COLLATERAL EVALUATION (ACE)

ACE eligibility

Effective for Mortgages with Loan Product Advisor submission or resubmission dates on or after February 19, 2024

Loan Product Advisor will begin offering automated collateral evaluation (ACE) appraisal waivers for cash-out refinance Mortgages. The maximum loan-to-value (LTV)/total LTV ratios will be 70% for a cash-out refinance Mortgage secured by a Primary Residence and 60% for a cash-out refinance Mortgage secured by a second home.



Guide impact: Section 5602.3

Requirements for providing estimated values in Loan Product Advisor

Effective June 6, 2024

For refinance Mortgages, we are updating the Guide to require Sellers to have written procedures in place that prohibit changes to the estimated property value in Loan Product Advisor for the purpose of obtaining ACE, ACE+ PDR or more favorable mortgage terms.

Guide impacts: Sections 5602.3 and 5602.4

APPRAISALS

Effective for Mortgages with appraisal effective dates on or after June 6, 2024

We are updating the photo requirements for appraisal reports with interior and exterior inspections to include additional interior photos of the subject property. This update will require more detailed photographs of all living areas, including all gathering rooms and finished and unfinished basement areas.

Guide impacts: Sections 5604.2 and 5605.8

HOMEOWNERSHIP EDUCATION

In Bulletin 2022-15, we added Form 1103 to the Guide. Because the “Homeownership Education and Housing Counseling” section of the form must be completed for any transaction where homeownership education is required, we have added to Section 5103.6, which contains our homeownership education requirements, a reference to the form.

Guide impact: Section 5103.6

MONTHLY FINANCIAL REPORTING REQUIREMENTS

Effective April 30, 2024; the first report (reflecting data as of April 2024) is due on May 31, 2024

We are updating Section 2101.5 to require Large Non-Depository Institutions (as defined in Section 2101.2) and Seller/Servicers separately identified by Freddie Mac to provide monthly reporting in addition to the quarterly submission of Form 1055, *Mortgage Bankers' Financial Reporting Form*. The new Form 1055A, *Monthly Mortgage Bankers' Financial Reporting Short Form*, must be electronically submitted no later than the last day of the month following the end of the reporting month for the first and second months of each fiscal quarter. The first submission of Form 1055A, reflecting April 2024 data, is due on May 31, 2024. The form must be certified by the Seller/Servicer's chief executive officer, the chief financial officer or equivalent. Seller/Servicers are not required to provide a monthly report (Form 1055A) for each third month of any fiscal quarter, as the data will be captured in the quarterly report (Form 1055).

Guide impacts: Section 2101.5 and Form 1055A (**new**)

ADDITIONAL GUIDE UPDATES

Guide Chapter 5703 reorganization

In response to Seller feedback, we have reorganized Chapter 5703, Manufactured Homes and revised some of the Guide language for added clarity and specificity. There are no requirement updates associated with this announcement.

Guide impacts

We have reorganized existing Sections 5703.1 through 5703.10 and added new Sections 5703.11 through 5703.16. In addition, we have updated Sections 1301.11, 3301.2, 3302.2, 4101.2, 4203.4, 4204.2, 4301.6, 4501.3, 4501.6, 4501.10, 4502.5, 4504.5, 4602.4, 4607.3, 4607.6, 4701.1, 5102.1, 5601.2, 5605.7, 5605.9, 5706.4, 5706.7, 6301.6, 7101.7, 8101.12, 9210.3, 9301.9, Exhibits 19 and 25.

Glossary definition of “Home Equity Line of Credit (HELOC)”

We have updated our Glossary definition of “Home Equity Line of Credit (HELOC).”



Guide impact: Glossary

IRS Form 4506-C

We have specified that the signed IRS Form 4506-C must be retained in the Mortgage file.

Guide impact: Section 5302.5

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 2024-1 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2024-1>.

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, appearing to read 'Kevin Kauffman', located below the 'Sincerely,' text.

Kevin Kauffman

Vice President, Single-Family Seller Engagement