

## Bulletin 2019-11

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

### Condominiums

- Changes to our requirements for Condominium Projects, including:
  - Ineligible Condominium Projects
  - Condominium Project reviews
  - Delivery requirements
  - Condominium Projects with commercial parking facilities - **September 5, 2019**

### Credit underwriting and Mortgage eligibility

- Revisions to recovery period requirements for Manually Underwritten Mortgages for Borrowers with history of Chapter 12 bankruptcy
- Updates to allow the delivery of Mortgages secured by Manufactured Homes with land contract or contract for deed pay offs
- Updated language specifying that monthly bridge loan payments must be included in debt payment-to-income ratio calculations

### Private flood insurance

- Updates to clarify our acceptance of private flood insurance

### Form 65 – Demographic Information Addendum

- Adding an authorized change to [Form 65](#) to permit the use of the Demographic Information Addendum

### Mortgages with Electronic Documentation

- The addition of eMortgage requirements to the Guide – **June 12, 2019 (New)**
- Delivery instruction updates for Mortgages with Electronic Documentation – **June 12, 2019 (New)**

### UMBS and MBS with Coupons not divisible by 0.5% and fixed-rate assumable products

- Eligibility of odd coupons and fixed-rate assumable products – **July 1, 2019**

### 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.

### CONDOMINIUMS

In response to Seller feedback, we continue to review our requirements related to Condominium Projects and are making the following updates, which will help expand eligibility and provide greater efficiency in originating Condominium Unit Mortgages.

## Ineligible Condominium Projects requirements

We are updating our eligibility requirements for Condominium Projects by making the following updates to the list of ineligible projects in [Guide Section 5701.3](#):

Topic	Updated requirements
Project in litigation	To provide greater flexibility, we are expanding the types of eligible minor litigation to include litigation where the estimated or known amount is not expected to exceed 10% of the Condominium Project's funded reserves, provided that this does not violate the applicable jurisdiction's laws and regulations.
Single investor concentration	<p>Sellers may now exclude from the single investor concentration calculation:</p> <ul style="list-style-type: none"> <li>• Units owned/controlled by non-profits for affordable housing</li> <li>• Units in affordable housing programs, and</li> <li>• Units retained by higher education institutions for workforce housing</li> </ul>
Guide impact: <a href="#">Section 5701.3</a>	
Condominium Project reviews	
We are updating our Condominium Project review requirements as follows:	
Topic	Updated requirements
Condominium Project compliance ( <a href="#">Section 5701.2</a> )	We are specifying that we require the Condominium Project to remain in full compliance with applicable State laws and regulations, the requirements of the relevant jurisdiction and all other applicable laws and regulations.
Streamlined review ( <a href="#">Section 5701.4</a> )	<p>To provide greater access to credit, we are increasing the maximum total loan-to-value (TLTV) ratio and Home Equity Line of Credit TLTV (HTLTV) ratio requirements for a Mortgage secured by a Condominium Unit in an Established Condominium Project located in Florida to be eligible for streamlined review. The new loan-to-value (LTV)/TLTV/HTLTV ratio requirements are as follows:</p> <p>Primary Residences: 75/90/90%</p> <p>Second homes and Investment Properties: 70/75/75%</p>
Reciprocal review – Fannie Mae-approved and certified projects ( <a href="#">Section 5701.9</a> )	<p>For Condominium Projects that have a final Project Eligibility Review Service (PERS) approval from Fannie Mae, we are clarifying that Sellers must comply with any conditions set by Fannie Mae on the final PERS approval.</p> <p>To align with our increased TLTV and HTLTV ratio requirements for Condominium Units in Established Condominium Projects located in Florida, we are increasing the TLTV and HTLTV ratio requirements for Mortgages approved through Fannie Mae's Condo Project Manager™ (CPM™).</p>

Reciprocal Review – FHA-Approved Project review for Condominiums ([Section 5701.9](#)) Previously, Sellers were not permitted to utilize an approval through FHA’s HUD Review and Approval Process (HRAP) for conventional Mortgages. To provide more flexibility, we are permitting Sellers to deliver conventional Mortgages secured by Condominium Units in Established Condominium Projects approved by HRAP if the requirements in Section 5701.9(b) are met.

Guide impacts: [Sections 5701.2](#), [5701.4](#) and [5701.9](#)

Delivery requirements for “Exempt From Review” Condominium Unit Mortgages

We are updating the Guide to align the delivery instructions for Condominium Unit Mortgages that are delivered as “Exempt From Review” with the ULDD specifications.

Guide impact: [Section 6302.20](#)

Condominium Projects with commercial parking facilities

**Effective for Mortgages with Settlement Dates on or after September 5, 2019, but Sellers may implement the change to the calculation of excessive commercial or non-residential space earlier if they are operationally able to do so, provided that Sellers at the same time also implement the project budget requirement regarding income from commercial parking facilities**

We are updating the Guide to allow Sellers to exclude commercial parking facilities from the commercial or non-residential space calculation when determining whether a project contains excessive commercial or non-residential space.

Condo Project AdvisorSM messages will not be updated until November 15, 2019 to reflect the exclusion of commercial parking facilities in the calculation. Sellers may disregard references to include commercial parking in these messages between the date a Seller implements this change and November 15, 2019.

In conjunction with the changes to the calculation of commercial or non-residential space, for Established and New Condominium Projects review types, we are updating the requirements for the project budget to provide that a homeowners association must not receive more than 10% of its budgeted income from the renting or leasing of commercial parking facilities.

Guide impacts: [Sections 5701.5](#), [5701.6](#) and [5701.11](#)

## CREDIT UNDERWRITING AND MORTGAGE ELIGIBILITY

### Chapter 12 bankruptcy

We are revising our recovery period requirements for Manually Underwritten Mortgages to permit a Chapter 12 bankruptcy to be treated the same as a Chapter 13 bankruptcy when the derogatory event is caused by financial mismanagement. As a result, the recovery time period for a discharged Chapter 12 bankruptcy is being reduced from 48 months to 24 months.

Additionally, we are specifically referencing Chapter 7 and Chapter 11 bankruptcy instead of generally referring to other bankruptcy types.

Guide impact: [Section 5202.5](#)

Eligibility of Manufactured Homes with payoff of land contract

To expand Mortgage eligibility for Manufactured Homes, we are allowing Mortgages secured by Manufactured Homes with proceeds used to pay the outstanding balance under a land contract or contract for deed to be eligible for sale to Freddie Mac.

Guide impacts: [Sections 4404.1](#) and [5703.3](#)

#### Bridge loans

To provide greater specificity, we are updating the Guide to note that, as with any other financing secured by a property, required monthly payments on bridge loans must be included in the monthly debt payment-to-income ratio calculation.

Guide impact: [Section 5401.2](#)

#### PRIVATE FLOOD INSURANCE

Flood insurance is required on a property when it is located in a FEMA-designated special flood hazard area (SFHA). Currently, the Guide allows private flood insurance as an alternative to the National Flood Insurance Program (NFIP), when the terms and conditions of the private flood insurance policy are at least equivalent to the standard NFIP policy, and the insurer meets the ratings requirements for property insurers.

On February 20, 2019, the federal banking agencies announced a [joint final rule](#) that impacts private flood insurance requirements for financial institutions subject to their supervision. The rule becomes effective July 1, 2019.

Freddie Mac is not subject to the federal banking agencies' rule. Freddie Mac is separately authorized by the Biggert-Waters Act to accept private flood insurance policies and establish requirements for financial solvency, strength or claims-paying ability for insurers who issue private flood insurance policies for the Mortgaged Premises securing Freddie Mac Mortgages.

Freddie Mac will continue to apply our criteria for acceptance of a private flood insurance policy, as defined in the Biggert-Waters Act. These Guide requirements in [Section 8202.3](#), with insurer rating requirements in [Section 8202.1](#), apply to all Seller/Service providers, including an institution subject to the federal banking agencies' rule regardless of the rule provision (mandatory or discretionary) used to accept a private flood insurance policy.

We are updating the Guide to clarify that a private flood insurance policy is acceptable to satisfy the flood insurance requirement if the terms and conditions are equivalent to the standard NFIP policy and the insurer meets the ratings requirements in [Section 8202.1](#).

Guide impact: [Section 8202.3](#)

#### FORM 65 – DEMOGRAPHIC INFORMATION ADDENDUM

As part of the Uniform Mortgage Data Program and in support of the updated Home Mortgage Disclosure Act (HMDA) regulation for collecting demographic information, Freddie Mac published a Demographic Information Addendum on its [Uniform Residential Loan Application & Uniform Loan Application Dataset web page](#) in September 2017 and updated the Addendum in December 2017, although the Addendum tagline did not change. We are updating [Guide Exhibit 5](#) to confirm that, as provided on the webpage, Sellers may use the Demographic Information Addendum as a replacement for the existing Section X, Information for Government Monitoring Purposes, on [Guide Form 65](#). If the Demographic Information Addendum is used with [Form 65](#), Section X may be left blank, crossed or grayed out or otherwise deleted.

Guide impact: [Exhibit 5](#)

#### MORTGAGES WITH ELECTRONIC DOCUMENTATION

## eMortgages

**Effective June 12, 2019**

An eMortgage is a Mortgage that is originated using an eNote (as defined in new [Section 1402.2](#)), while the Security Instrument and other Mortgage documents may be paper or Electronic Records (as defined in [Section 1401.2](#)). eMortgages can help simplify the closing process for Sellers and Borrowers and shorten timeframes from origination to sale of the Mortgage in the secondary market.

While Freddie Mac's prior written approval to sell to and/or service eMortgages for Freddie Mac will still be required, the eMortgage Guide on FreddieMac.com is being retired and all requirements will now be contained in new [Chapter 1402](#). This will provide greater visibility of Freddie Mac's eMortgage requirements as eMortgage adoption continues to grow. Additionally, we are adding Exhibits [45](#), [46](#) and [47](#), which are sample forms that may be helpful to Seller/Serviceers of eMortgages.

Seller/Serviceers of eMortgages must comply with all selling and Servicing requirements of the Guide and the Seller/Serviceer's other Purchase Documents, as applicable, including the special requirements set forth in [Chapter 1402](#).

Seller/Serviceers who wish to sell to and/or service eMortgages for Freddie Mac should contact their Freddie Mac account representative or the Freddie Mac eMortgage Team ([eMortgage\\_Team@freddiemac.com](mailto:eMortgage_Team@freddiemac.com)) to begin the process of determining their eligibility to sell eMortgages to and/or service eMortgages for Freddie Mac. As part of the Seller/Serviceer's approval process, the Seller/Serviceer's eClosing System and eNote Vault System (as those terms are defined in [Section 1402.2](#)) used to originate and close eMortgages and store related eNotes must go through a review and approval process.

[Chapter 1402](#) contains eMortgage requirements, and Exhibits [45](#), [46](#), [47](#) and [Form 994SF](#) support the requirements in [Chapter 1402](#). All other impacted Guide sections are related to the eMortgage requirements found in [Chapter 1402](#).

Guide impacts: [Chapter 1402](#), [Sections 1301.8](#), [1401.1](#), [1401.2](#), [1401.11](#), [1401.12](#), [1401.16](#), [1401.23](#), [2101.1](#), [6302.5](#), [6304.1](#), [6305.1](#), [7101.2](#), [7101.4](#), [8102.1](#), [8103.6](#), [8103.7](#), [8104.7](#), [8107.1](#), [8406.7](#), [9206.17](#), [9207.6](#), [9208.8](#), [9209.8](#) and [9402.2](#), [Exhibits 5](#), [7](#), [45](#), [46](#) and [47](#), [Forms 960](#) and [994SF](#)

Delivery instruction updates for Mortgages with Electronic Documentation

**Effective June 12, 2019**

We are updating [Section 6302.5](#) to include special delivery instructions for Mortgages with Electronic Documentation, including eMortgages and Mortgages with Remote Online Electronic Notarization.

Guide impacts: [Section 6302.5](#) and [Exhibit 34](#)

UMBS AND MBS WITH COUPONS NOT DIVISIBLE BY 0.5% AND FIXED-RATE ASSUMABLE PRODUCTS

**Effective July 1, 2019**

In response to feedback from Housing Finance Agencies and to provide additional options, we will allow 15- and 30-year fixed-rate Mortgages to be sold in exchange for UMBS and MBS with Coupons at any increment (i.e., Coupons not divisible by 0.5% (such Coupons, "Odd Coupons")).

In addition to Odd Coupon pricing, Freddie Mac will offer new 15- and 30-year fixed-rate assumable Mortgages eligible for sale under the Guarantor program. These products may be used outside Odd Coupon functionality.

Sellers interested in selling Mortgages in exchange for UMBS and MBS with Odd Coupons and/or selling fixed-rate assumable Mortgages under the Guarantor program must obtain Freddie Mac's written approval to do so by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

Guide impacts: [Sections 4101.10](#) and [6202.1](#)

## ADDITIONAL GUIDE UPDATES

### 10-year cash contracts

With the implementation of the Single Security Initiative, a new 10-year cash contract and distinct pricing for 10-year Mortgages will be available in Loan Selling Advisor®. As a result, we are removing Mortgages with a 10-year term from the list of Mortgages eligible for a cash specified payup. The payup amount will now be embedded in the 10-year contract price.

In addition, Sellers may choose the cash-specified option for 10-year super-conforming Mortgages. Sellers should only select super conforming from the Cash Specified Pool Type field when they have exceeded their monthly thresholds for super conforming cash deliveries.

Review our [At-a-Glance resource](#) on loan deliveries for more information on operational changes related to 10-year cash contracts and pricing.

Guide impact: [Section 6101.3](#)

### Relief refinance Mortgages

As announced in [Bulletin 2017-17](#), Freddie Mac Relief Refinance MortgagesSM – Same Servicer and Freddie Mac Relief Refinance MortgagesSM – Open Access must have Settlement Dates on or before September 30, 2019. [Exhibit 19](#) has been updated to reflect the expiration date of the offerings.

Guide impact: [Exhibit 19](#)

### Purchase of LIBOR ARMs

In [Bulletin 2019-10](#), we announced that Freddie Mac will no longer purchase LIBOR ARMs with Settlement Dates more than six months after the Note Date due to the potential discontinuance of the publication of the LIBOR index. We will continue to purchase newly originated LIBOR ARMs.

Guide impacts: [Section 4401.3](#) and [Exhibit 17S](#)

## 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 2019-11 (Selling) Guide Updates Spreadsheet via the Attachments drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-11>.

## 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,

**Christina K. Boyle**  
Chief Client Officer  
Single-Family Business