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Seller Bulletins

Bulletin 98-10

December 15, 1998

SUBJECTS

We're pleased to announce

- An increase in the maximum original loan amounts for Home Mortgages eligible for sale to Freddie Mac
- Several new defined terms that are intended to simplify contracting with us
- The elimination of the requirement that you review Third-Party Originator (TPO) financial statements when approving or monitoring TPOs
- The addition of United Guaranty Mortgage Indemnity Company to our list of approved mortgage insurers
- Changes to Form 11, Mortgage Submission Schedule, and Form 13SF, Mortgage Submission Voucher

We're also updating you with regard to our Gold Cash® posted Mortgage coupon range.

EFFECTIVE DATES

All of these changes are effective immediately, with one exception. You may deliver Mortgages up to the new loan limits to us after January 1, 1999.

WHY WE'RE MAKING THESE CHANGES AND HOW THEY AFFECT YOU

New Loan Limits

The new loan limits are tied to an increase in the average purchase price of one-family conventionally financed homes as reported by the Federal Housing Finance Board (FHFB). Based on the average price data reported by the FHFB, we increased our loan limits by 5.66 percent. The higher loan limits will make lower-cost Mortgages available to more homebuyers, particularly those purchasing homes in high-cost areas.

Mortgages with original loan amounts up to the new limits are eligible for delivery to us after January 1, 1999, but you may begin originating those Mortgages immediately for sale to us next year.

New Defined Terms

We've been reviewing all aspects of our contracting process with the intention of making our contracts easier for you to use. By incorporating terms and requirements into our *Single-Family Seller/Servicer Guide* (Guide) that we've previously included in customer contracts, we'll reduce the amount of standard language in those contracts.

We've added the following defined terms to the Guide Glossary:

- Effective Date for Delivery
- Master Agreement

- Master Commitment Amount
- Maximum Master Agreement Amount

If you have a Master Agreement with Freddie Mac, you're probably familiar with most, if not all, of these terms. You can now reference them in the Guide Glossary if you need clarification. For those of you who aren't familiar with these terms, a Master Agreement is simply another type of Purchase Contract we negotiate with our customers.

We've also made changes to Guide Chapter 12 to incorporate existing, standard contract language, and we've revised Section 11.10 to clarify that, if you elect to sell to us loans with recourse, we'll monitor your ongoing ability to fulfill your recourse obligations. This isn't a change to our current approach—we're just adding the requirement to our Guide so that we'll no longer have to include it in individual customer contracts.

TPO Financial Statements

Reviewing a TPO's financial statements may not always help you evaluate the quality of that TPO. This process is valuable to some Sellers, but not to others. We developed our Seller TPO controls with the intent of giving you flexibility. We're increasing the flexibility of our TPO controls by providing you with the option not to review a TPO's financial statements, especially if this step won't help you identify and manage quality TPOs.

Although we're no longer requiring you to collect and review TPO financial statements as part of your TPO approval and monitoring processes, we still expect you to take the necessary precautions, particularly during the approval process, to ensure that you're doing business with quality TPOs. You may find Freddie Mac's *Discover Gold Through Quality*, which includes basic guidelines and suggested standards and procedures to evaluate and approve TPOs, to be a useful resource in fulfilling our requirements for TPO Home Mortgages.

Miscellaneous Changes

You may now sell us loans insured by United Guaranty Mortgage Indemnity Company, an affiliate of United Guaranty Residential Insurance Company. See Guide Exhibit 10 for a complete list of Freddie Mac-approved mortgage insurers.

We've also modified Form 11, Mortgage Submission Schedule, and Form 13SF, Mortgage Submission Voucher. *(To view these forms, follow this link to our [forms](#) site.)* We created a new three-digit, alphanumeric field for an offering code to support Loan Prospector® A-minus deliveries and future offerings, and we reduced the Loan Prospector "AUS number" field from 12 to eight characters to improve data processing.

UPDATE

Gold Cash Posted Mortgage Coupon Range

Last month, in [Bulletin 98-7](#), we announced the expansion of our Gold Cash posted Mortgage coupon range to accommodate our new Loan Prospector A-minus and Alternative A offerings. At that time, we told you that the 12 highest posted Note rates were reserved only for those new offerings. Since then, we've automatically amended all contracts that include Alt 97SMs, enabling customers who can sell us that negotiated product to take down commitments using the 12 highest Gold Cash posted Note rates for Alt 97s, too.

Please note that we're not making any further changes to our Guide, with regard to our Gold Cash range, in this bulletin. If you're interested in learning more about Alt 97s, please call your Freddie Mac account manager.

REVISIONS TO THE SINGLE-FAMILY SELLER/SERVICER GUIDE

We've revised parts of Chapters 11, 12, 22 and 23; Exhibit 10; and Forms 11 and 13SF to incorporate the changes announced in this bulletin. We've also updated the Volume 1 Page Inventory, Table of Contents, Index and Glossary. [Exhibit A](#) provides revised Form 11 and 13SF record descriptions to be used with online and batch entry features of MIDANET® for the PC, tape and CPU-to-CPU transmissions.

At the end of this bulletin, you'll find replacement pages for Volume 1 of the Guide. We've highlighted the changes on these pages by placing an arrow in the margin and double underscoring the revised text. Please

follow the instructions on the page before the replacement pages so that you can update your Guide correctly.

Note: Guide replacement pages referenced above are not included in online versions of our bulletins.

CONCLUSION

We believe that these changes support our commitment to making the mortgage finance process simpler, clearer and more effective. If you have any questions about the changes announced in this bulletin, please call your Freddie Mac account manager or (800) FREDDIE.

Sincerely,

John D. Fisk
Executive Vice President
Single-Family Securitization Group

Exhibit A

The electronic versions of these record descriptions are in Adobe Acrobat format and cannot be altered. A free Acrobat Reader "plug-in" is required to view and/or print them. If a record description does not appear after clicking on a link, then you need to download Acrobat Reader (version 3.0 or greater) by clicking on the Adobe "Get Acrobat" Reader icon below.



- [Form 11 Record Description \(PDF\)](#)
- [Form 13SF Record Description \(PDF\)](#)

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