

Bulletin

NUMBER: 2001-1

TO: All Freddie Mac Sellers and Servicers

February 7, 2001

Freddie
Mac

Freddie Mac is now including both **Selling** and **Servicing** topics in the same Bulletin. From now on, check the “Subjects” paragraph to determine whether the changes will affect you.

SUBJECTS

Requirements amended in this Bulletin:

- Selling and Servicing

Freddie Mac is introducing:

- Loan Prospector Freddie Mac 100 Mortgages
- Discretionary Provisions
- Manually Underwritten Alt 97® Mortgages
- Changes to the Alt 97 Mortgage and Affordable Gold Alt 97 Mortgage postsettlement delivery fee and mortgage insurance coverage requirements

We are also:

- Eliminating Premium Financing funding of temporary subsidy buydown plans for no cash-out refinance Mortgages
- Revising the P&I Remittance call-in procedures and ending the use of concentration banks to collect remittance funds

EFFECTIVE DATES

All of the changes are effective immediately with the following exceptions:

- February 13, 2001 – effective date for P&I call-in and concentration bank change
- May 8, 2001 – effective date for eliminating eligibility for purchase of no cash-out refinance Mortgages with buydown plans funded by Premium Financing
- September 4, 2001 – effective date for Alt 97 Mortgage and Affordable Gold Alt 97 Mortgage postsettlement delivery fee and mortgage insurance coverage changes

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

Selling Changes

Loan Prospector Freddie Mac 100 Mortgages

Freddie Mac is pleased to announce that beginning February 25, 2001, Freddie Mac 100 Mortgages may now be evaluated through Loan Prospector.

The Freddie Mac 100 Mortgage provides your customers with more choices when seeking Mortgage loan financing and to help put them in homes they can afford and keep. This offering gives Borrowers with excellent credit histories the ability to purchase a home sooner while building their investments. By using Loan Prospector to evaluate the Freddie Mac 100 Mortgage, you'll have greater confidence that these loans meet Freddie Mac's requirements.

We have revised Chapter G33 to reflect this change.

Discretionary Provisions

Freddie Mac is introducing Discretionary Provisions to the Guide. Discretionary Provisions are terms and provisions that:

- Are available to Seller/Servicers without a contract amendment
- May be amended, supplemented, revised, or terminated by Freddie Mac upon written notice during the term of the Seller's Master Agreement or mandatory Master Commitment Contract.

If Freddie Mac chooses to amend, supplement, revise, or terminate a Discretionary Provision, that change or termination will apply regardless of whether the Seller has negotiated a Master Agreement or mandatory Master Commitment Contract.

Discretionary Provisions afford Freddie Mac another means to better manage our risk. The following offerings are being identified as Discretionary Provisions:

- Alt 97® Mortgages
- Freddie Mac 100 Mortgages
- Affordable Gold® 97 Mortgages
- Affordable Gold® Alt 97 Mortgages
- Alternative Stated Income Mortgages

We have added new Section 12.13, Discretionary Provisions, and new Exhibit 26, Discretionary Provisions, to the Guide and we have amended Chapters D33, G33, 34, and 37 to reflect this change.

Sections G33.1, 37.22 and 37.23 have also been amended to remove the requirement that Sellers contact their account manager to request a contract amendment since a contract amendment is no longer necessary.

Manually Underwritten Alt 97 Mortgages

Freddie Mac is introducing an Alt 97 Manually Underwritten Mortgage. This Mortgage is ideal for Borrowers who meet the minimum Indicator Score requirement and prefer a low downpayment loan. We have revised Chapter D33 and Exhibit 25 to add this new offering.

Alt 97 Postsettlement Delivery Fees and Mortgage Insurance Requirements

Freddie Mac is changing the mortgage insurance coverage requirements and postsettlement delivery fee for Alt 97 Mortgages and Affordable Gold Alt 97 Mortgages. For settlements on and after September 4, 2001, both Alt 97 Mortgages and Affordable Gold Alt 97 Mortgages will be required to have 35 percent mortgage insurance coverage, resulting in a reduced postsettlement delivery fee. Chapter D33, Section 34.5(g), and Exhibit 19 have been updated to reflect these changes.

Freddie Mac will accept delivery of Alt 97 Mortgages and Affordable Gold Alt 97 Mortgages with mortgage insurance coverage equal to 18 percent for settlements before September 4, 2001. The September 4th effective date allows you to sell Alt 97 and Affordable Gold Alt 97 Mortgages already in your pipeline to Freddie Mac. In addition, this effective date gives you time to change your processes to originate these Mortgages with the higher mortgage insurance coverage. By changing your origination processes now, you can ensure that you are well prepared for deliveries for settlements on and after September 4th.

Unacceptable Refinance Practices

In certain interest rate environments, refinance activity may increase as Borrowers seek to take advantage of lower Mortgage rates. To ensure that Sellers and Servicers understand our position on unacceptable refinance practices and as a reminder of our requirements in this area, Freddie Mac is revising Section 8.10(b) of the Guide.

Our policy concerning refinancings is not intended to infringe on a Borrower's ability to refinance an existing Mortgage but rather to prevent Mortgages owned by Freddie Mac from being exclusively targeted for refinancing and to protect against adverse impacts on our security holders.

Premium Financing funding of Buydown Plans/No cash-out Refinance Mortgages

In reviewing our refinance Mortgage eligibility requirements, we have determined that Premium Financing funding for no-cash out refinance Mortgage buydown plans is not appropriate in the current market environment. Consequently, effective May 8, 2001, Freddie Mac will no longer purchase no cash-out refinance Mortgages with temporary subsidy buydown plans funded by Premium Financing. We have revised Chapter 25 and the definition of the term Premium Financing in the Glossary to reflect this change.

Uniform Instruments

As we have announced in several previous Bulletins, all Mortgages originated for sale to Freddie Mac on or after January 1, 2001 must be closed on the Fannie Mae/Freddie Mac Uniform Instruments and Freddie Mac Notes and Riders (collectively, "Mortgage documents") with a tagline date of 1/01. The 1/01 Mortgage documents are posted on our website at <http://www.freddiemac.com/uniform>.

We are updating Sections 6.10 and 30.2(f) of the Guide to provide that printed copies of the Mortgage documents will no longer be available from Freddie Mac; instead, the Mortgage documents will be available only on our website.

Servicing Changes

Service bureau name change

Freddie Mac's service bureau, NDC eCommerce, has changed its name to Global Payments Inc. (GPI). There are no operational impacts to this change. The only change that you will notice is when calling the voice centers or interactive response units. The new greeting will be "Global Payments formerly NDC eCommerce".

Elimination of concentration banks and changes to P&I remittance call-in procedures

In the Spring of 2000, Freddie Mac signed a Participation Agreement with the Federal Reserve and became an ACH Origination Depository Financial Institution (ODFI). This means that Freddie Mac no longer needs to rely on other banks for ACH origination so we can eliminate the concentration bank network entirely. We have updated Chapters 76 and 77 and Exhibit 58 to reflect this change.

As a result of eliminating concentration banks, and to establish the same call-in deadline for P&I remittance amounts for all Servicers, we have revised our procedure. Servicers must now call P& I remittance amounts due to Freddie Mac into our service bureau, GPI, no later than 9:00 PM Eastern Time (ET) one Business day prior to the remittance due date, regardless of the Eligible Depository from which we will draft the remittance amounts.

We will not draft Custodial accounts any earlier than they are drafted now. Your account will be drafted and funds will be received by Freddie Mac and posted on your Remittance Analysis on the Business Day following your call-in. There is no need to change your depository, unless you choose to do so. Freddie Mac will continue to use the current account information for drafting purposes unless you notify us otherwise.

We have updated Chapters 76 and 78 and Exhibit 68 to reflect this change.

REVISIONS TO THE *SINGLE-FAMILY SELLER/SERVICER GUIDE*

Descriptions of all new or revised Guide chapters are located in Exhibit A of this Bulletin. The revisions include:

- Chapters 2, 6, 8, 12, 17, 25, 27, 30, D33, G33, 34, 37, 65, 76, 77, and 78
- Exhibits 19, 25, 58 and 68, and New Exhibit 26
- The Glossary
- The Directory

We've highlighted the changes on these pages by placing an arrow in the margin and double underscoring the revised text. Also note that starting with this Bulletin, we will be including the corresponding Bulletin number in the footer of the Guide replacement pages. Please follow the instructions on the page before the replacement pages so that you can update your Guide correctly.

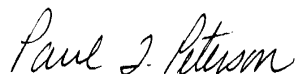
CHANGE OF ADDRESS

We want to ensure that our Guide Bulletins and Industry Letters are being received by those who need them and that you are receiving the correct amount of copies. If there has been a change in your address, Guide point of contact or in the number of copies you need, please visit our website at: <http://www.freddiemac.com/sell/single/getguide.htm> or call (800) FREDDIE.

CONCLUSION

We believe that these changes support Freddie Mac's commitment to making the Mortgage finance process simpler and more efficient. If you have any questions about the changes announced in this Bulletin, please call your Freddie Mac account manager or (800) FREDDIE.

Sincerely,



Paul T. Peterson
Executive Vice President
Single-Family Group

This page intentionally left blank.

Exhibit A

Highlights of the Revisions in this Package

Bulletin 2001-1 incorporates changes to the following Chapters, Exhibits, Forms, and Glossary of the *Single-Family Seller/Servicer Guide* (Guide).

- **Chapter 2 – General Freddie Mac Policies** – Removes list of Mortgages ineligible for Loan Prospector.
- **Chapter 6 – General Warranties and Responsibilities of the Seller/Servicer**
Revises language regarding the availability of Uniform Instruments only on Freddie Mac’s website.
- **Chapter 8 – General Purchase Program Requirements and Characteristics**
Revises language regarding unacceptable refinance practices.
- **Chapter 12 – General Warranties and Responsibilities of the Seller/Servicer**
Adds language regarding Discretionary Provisions.
- **Chapter 17 – Mortgage Delivery and Settlement Processing** – Revises language regarding delivery fees.
- **Chapter 25 – Secondary Financing and Other Financing Agreements** - Revises language regarding ineligibility of “no cash-out” refinance Mortgages with temporary buydown plans funded by Premium Financing.
- **Chapter 27 – Mortgage Insurance, Late Charges and Prepayment Charges** - Revises language regarding mortgage insurance premiums.
- **Chapter 30 – Special Eligibility Requirements For ARMs** - Revises language regarding the availability of Uniform Instruments only on Freddie Mac’s website.
- **Chapter D33 – Alt 97® Mortgages** - Adds an offering for Manually Underwritten Mortgages, updates mortgage insurance requirements, and adds language making this product a Discretionary Provision.
- **Chapter G33 – Freddie Mac 100 Mortgages** – Revises language to add eligibility of Freddie Mac 100 Mortgages for evaluation by Loan Prospector and adds language making this product a Discretionary Provision.

- **Chapter 34 – Special Eligibility Requirements for Affordable Gold® Mortgages**
Adds language making Affordable Gold 97 Mortgages and Affordable Gold Alt 97 Mortgages Discretionary Provisions and updates mortgage insurance requirements.
- **Chapter 37 – Underwriting the Borrower** - Adds language making Alternative Stated Income Mortgages Discretionary Provisions and revises language regarding written verifications.
- **Chapter 65 – Loss Mitigation** – Revises language regarding bank name and address for remittance of BPO cost reimbursement and the phone number for ordering BPOs.
- **Chapter 76 – Basics of Investor Accounting** – Revises language regarding P&I remittance call-in procedures and elimination of concentration banks.
- **Chapter 77 – Establishing Investor Accounting Functions** - Revises language regarding the elimination of concentration banks.
- **Chapter 78 – Reporting and Remitting Requirements** - Revises language regarding P&I remittance call-in procedures and elimination of concentration banks.

Exhibits

We have revised the following exhibits:

- **Exhibit 19 – Postsettlement Delivery Fees**
- **Exhibit 25 – Minimum Indicator Score Requirements**
- **Exhibit 58 – Draft Letter of Authorization**
- **Exhibit 68 – Cash Remittance System**

We have added the following exhibit:

- **Exhibit 26 – Discretionary Provisions**

Glossary

We have added the following term:

- **Discretionary Provisions**

We have revised the definition of the following term:

- **Premium Financing**