

Bulletin

NUMBER: 2001-2

TO: All Freddie Mac Sellers and Servicers

March 14, 2001

Freddie
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SUBJECTS

Freddie Mac is introducing:

- Changes to our refinance requirements

EFFECTIVE DATES

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

- April 8, 2001— lenders may evaluate streamlined refinance Mortgages up to the new maximum LTV ratio through Loan Prospector®

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

We're changing our refinance Mortgage requirements to provide Freddie Mac Sellers with additional flexibility to respond to market conditions.

All Streamlined Refinance Mortgages

Increased LTV. We have increased the maximum loan-to-value (LTV) ratio for streamlined refinance Mortgages from 90 percent to 95 percent. We have also increased the TLTV/HTLTV ratios by 5 percent (see chart below). Lenders may evaluate streamlined refinance Mortgages up to the new maximum LTV ratio through Loan Prospector® beginning April 8.

Maximum LTV Limits			
Max LTV w/o sec. fin. 95%	Max LTV w/ sec. fin. 90%	Max TLTV w/ sec. fin. 95%	Max HTLTV w/sec. fin. 100%

Manually Underwritten Mortgages. These Mortgages are now eligible for purchase as streamlined refinance Mortgages, with a minimum Indicator Score of:

- 680 for streamlined refinance Mortgages
- 620 for Freddie Mac-owned streamlined refinance Mortgages

Freddie Mac-Owned Streamlined Refinance Mortgages

No Minimum Seasoning Requirement. There is no longer a minimum seasoning requirement for the Mortgage being refinanced.

No Manual Check for a Bankruptcy, Foreclosure or Deed in lieu of Foreclosure. The Seller is no longer required to determine that the Borrower has not had a bankruptcy, foreclosure or deed in lieu of foreclosure within the last 7 years.

Special Purpose Cash-out Refinance Mortgages

As of March 14, we are expanding special purpose cash-out refinance Mortgages to include refinance Mortgages where the proceeds are used to pay off a junior lien used to finance home improvements, or used to acquire the Mortgaged Premises in a purchase money transaction.

When Used to Pay for Home Improvements

- The Seller must provide the documentation outlined in Section 24.7 of the Guide in addition to documentation evidencing that all of the proceeds from the junior lien were used for home improvement.
- If any of the proceeds from the junior lien were not used for home improvements, the amount not used for home improvements may not be included in the new refinance Mortgage.

When Used to Acquire the Mortgaged Premises in a Purchase Money Transaction

- The Seller must obtain documentation (HUD-1 Settlement Statement or its equivalent) evidencing that the junior lien being paid off was obtained by the Borrower to acquire the Mortgaged Premises.
- If the junior lien was a HELOC, only the amount drawn on the HELOC as of the Note Date of the purchase money transaction may be included in the amount of the new refinance Mortgage.

As a reminder, all special purpose cash-out refinance Mortgages must be identified as such at delivery using Special Characteristics Codes 003 and 203. Additional requirements for the delivery of these loans are specified in Section 17.18 of the Guide.

REVISIONS TO THE SINGLE-FAMILY SELLER/SERVICER GUIDE

Replacement pages for updated Guide text will be included with the April 6 Guide Bulletin.

These changes will affect Chapters 23 and 24 of the Guide. If you have any questions about these changes, please call your Freddie Mac account manager or (800) FREDDIE.

Sincerely,



Paul T. Peterson
Executive Vice President, Single-Family Group