

# Bulletin

---

NUMBER: 2001-3

---

TO: All Freddie Mac Sellers and Servicers

April 6, 2001

---

The Freddie Mac logo consists of the words "Freddie" and "Mac" stacked vertically. Above the text is a thick black horizontal bar. Below the text are four thin, parallel horizontal lines.

## SUBJECTS

Requirements amended in this Bulletin:

- Selling and Servicing

Freddie Mac is:

- Adding a new collateral option for Loan Prospector® Mortgages, the No-appraisal MAF
- Revising our requirements for Manufactured Homes
- Revising our requirements for Mortgages secured by leasehold estates
- Allowing variable payments on secondary financing when the First Lien Mortgage is an Adjustable Rate Mortgage (ARM) or the First Lien Mortgage is subject to a buydown plan

We are also:

- Revising our rent loss insurance requirements for Investment Property Mortgages
- Requiring the use of Loan Feature Code "R" for purchase transactions with a buydown funded by Premium Financing
- Enhancing our BPODirect process
- Replacing the Thompson BankWatch issuer rating with the Fitch, Inc. Short-Term Deposit Rating for funds custodians
- Revising the "Mail To" information on Form 104SF

## EFFECTIVE DATES

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

- April 8, 2001 – New collateral option for Loan Prospector Mortgages
- May 8, 2001 – New loan delivery feature code for purchase transactions with a buydown funded by Premium Financing

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

### **Selling Changes**

#### **Loan Prospector's new collateral option**

Freddie Mac has a long-standing commitment to improve the Mortgage origination process for originators and Borrowers. We are now pleased to offer you the new No-appraisal MAF in addition to the benefits of our current Minimum Assessment Feedback (MAF) options in Loan Prospector.

Freddie Mac's No-appraisal MAF is available for certain eligible, low-risk, purchase money transactions that have total loan-to-value (TLTV) ratios of 80 percent or less and are secured by 1-unit Primary Residences.

Loan Prospector, coupled with our Home Value<sup>SM</sup> Models, will determine the eligibility for the no-appraisal option, the level and the related postsettlement delivery fee. This postsettlement delivery fee may be up to 80% lower than the cost of an appraisal in your area. Use of the No-appraisal MAF provides your Borrowers an additional option and saves valuable time and processing costs. If you choose another appraisal approach, Freddie Mac will not charge a delivery fee.

When you deliver Mortgages originated using the No-appraisal MAF, you will be relieved of the representations and warranties regarding the value, marketability or condition of the property.

We have substantially reorganized and updated Chapter 44 to incorporate these changes. We recommend that you carefully read the revised chapter and also note the new and revised terms in the Glossary. We also revised Chapters 2, 17, A33, D33, 36, 46, and 48 to reflect these changes. Postsettlement delivery fees for Mortgages originated using the No-appraisal MAF have been added to Exhibit 19.

Provisions relating to the No-appraisal MAF are Discretionary Provisions under Guide Section 12.13 and Exhibit 26.

#### **Manufactured Homes**

Freddie Mac has updated its requirements for Manufactured Homes to include the best practices of our Sellers and current industry standards. It will be easier to originate Mortgages secured by Manufactured Homes since the new requirements provide the certainty you need to determine that the property is acceptable. The new requirements for Manufactured Homes will help you expand your business and meet your customer needs.

The revisions include:

- New requirements for the permanent foundation system
- Revised requirements regarding the taxation of a Manufactured Home

- Expanded requirements for ensuring that a Manufactured Home has been converted to real property
- New underwriting requirements for evaluating the collateral
- New title insurance requirements

### **Leasehold Estates**

Freddie Mac has revised its requirements for leasehold estates to make it easier for Sellers to work with ground lease community developers in expanding homeownership opportunities for Borrowers. New terms and new lease provisions have been added to Chapter 41 to reflect the market changes for Mortgages secured by leasehold estates in ground lease communities. We have substantially reorganized and updated Chapter 41 to incorporate these changes. We recommend that you carefully read the revised chapter.

In connection with these changes, Freddie Mac has created a sample lease and sample nondisturbance and attornment agreement which may be accessed on our website, [www.freddiemac.com/forms](http://www.freddiemac.com/forms). Whether a Seller uses sample forms or not, the Seller is responsible for compliance with the relevant requirements of the Guide, including the provisions of Chapter 41, and any applicable federal, State and local laws. In addition, use of the sample documents does not constitute either Freddie Mac approval of the executed lease or nondisturbance and attornment agreement or approval of a particular ground lease community.

### **Secondary Financing**

To provide your Borrowers with more choices and greater flexibility, Freddie Mac is pleased to announce that we will now allow variable payments on secondary financing when the First Lien Mortgage is an ARM or the First Lien Mortgage is subject to a buydown plan. We have revised Chapter 25 to reflect this change.

### **Refinance Changes**

In Bulletin 2001-2 we announced revisions to our refinance Mortgage requirements, including changes to Streamlined Refinance Mortgages and Special Purpose Cash-Out Refinance Mortgages. Replacement pages for Chapters 23 and 24 are included with this Bulletin.

### **Rent Loss Insurance**

We have revised our requirements regarding rent loss insurance for Investment Property Mortgages. Effective immediately, rent loss insurance is required **only** when the rental income from the Investment Property is used to qualify the Borrower. We have revised Chapter 22 to reflect this change.

### **Loan Feature Code “R”**

In Bulletin 2001-1 we announced that effective May 8, 2001, Freddie Mac would no longer purchase refinance Mortgages with temporary subsidy buydown plans funded by Premium Financing. Since buydowns funded by Premium Financing are permitted for purchase transactions, we are specifying a Loan Feature Code to identify these Mortgages at time of delivery to Freddie Mac. Effective May 8, 2001, Loan Feature Code “R” must be used to designate a purchase transaction with a buydown funded by Premium Financing. We have revised Section 17.20(b) and Forms 11 and 13SF to reflect this change.

Please note that Loan Feature Code “B”, identifying a Mortgage with a buydown plan, is still required for temporary subsidy buydown plans *not* funded by Premium Financing.

### **Servicing Changes**

#### **Leasehold Mortgages**

To support the changes in the provisions for leasehold Mortgages in Volume 1 and 1A of the Guide, we are adding provisions in various sections of Volume 2 describing the special servicing requirements for Mortgages secured by leasehold estates.

#### **BPO Notification Process**

Freddie Mac is pleased to announce an enhancement to the BPO notification process through BPOdirect. Effective immediately, Servicers will be notified via e-mail when their BPO order has been completed. This email will include a copy of the BPO Form 1092. The completed form can be accessed from the BPOdirect web page for 12 months so that you can print it at your convenience. The “as is” and “as repaired” values are also contained in the text of the e-mail.

If you do not use e-mail, then we will continue to fax a copy of the BPO to you.

#### **Tier 1 Depository Ratings**

During December, 2000, Fitch, Inc. acquired the Thompson BankWatch rating service. Consequently, all outstanding ratings from Fitch and Thompson BankWatch were combined into a single set of ratings maintained by Fitch. After evaluating ratings offered by Fitch, we decided to replace the discontinued TBW “Global Issuer” rating with the Fitch “Short-Term Deposit” rating for our Tier 1 depository ratings requirements for funds custodians.

Fitch will continue to issue the Tier 2 former “Bank Watch®” rating, renamed the Fitch “Financial Performance Score.” We’ve updated Chapter 77 to reflect these changes.

### **Address Change on Form 104SF**

As a result of a Freddie Mac department's move, we have revised the "Mail To" information on Form 104SF – Statement of Loan, Workout and REO Expenses and Income.

### **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, 17, 22, 23, 24, 25, 27, A33, D33, 36, 37, 39, 41, 44, 46, 48, 51, 58, 59, 60, 64, 65, B65, 66, 67, 70, 71 and 77
- Exhibits 5, 19, 24, 26 and 83
- Forms 11, 13SF, 104SF and 1149
- The Glossary

We've highlighted the changes on these pages by placing an arrow in the margin and double underscoring the revised text. Due to the extent of changes in Chapter 41, the changes are not double underscored and we are providing replacement pages for the entire revised chapter. Because of the reorganization of and changes to Chapter 44, we have provided a transposition chart (Exhibit B) in lieu of marking changes throughout that chapter. 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 2001-3 incorporates changes to the following Chapters, Exhibits, Forms, and Glossary of the *Single-Family Seller/Servicer Guide* (Guide).

- **Chapter 2 – General Freddie Mac Policies** - Revises language regarding the No-appraisal MAF for Loan Prospector Mortgages.
- **Chapter 17 – Mortgage Delivery and Settlement Processing** – Adds language regarding new feature code for purchase transaction Mortgages with buydowns funded by Premium Financing. Adds delivery requirements for Mortgages secured by Manufactured Homes on leasehold estates and for Loan Prospector Mortgages originated using a No-appraisal MAF.
- **Chapter 22 – General Mortgage Eligibility** - Revises language regarding Manufactured Homes and for rent loss insurance for Investment Property Mortgages.
- **Chapter 23 – Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios** - Revises language regarding the No-appraisal MAF , secondary financing, and refinance Mortgages.
- **Chapter 24 – Refinance Mortgages** – Revises language regarding refinance Mortgages and the No-appraisal MAF.
- **Chapter 25 – Secondary Financing and Other Financing Agreements** – Revises language regarding variable rate secondary financing.
- **Chapter 27 – Mortgage Insurance, Late Charges and Prepayment Charges** – Revises language regarding Mortgage insurance premiums.
- **Chapter A33 – Streamlined Purchase for Homeowners** – Revises language regarding the No-appraisal MAF.
- **Chapter D33 – Alt 97® Mortgages** – Revises language regarding the No-appraisal MAF.
- **Chapter 36 – Special Eligibility Requirements for the Purchase of Seasoned Mortgages** – Revises language regarding the No-appraisal MAF.
- **Chapter 37 – Underwriting the Borrower** – Revises the list of third-party verification services.

- **Chapter 39 – Title Insurance** – Revises language regarding requirements for leasehold Mortgages.
- **Chapter 41 – Special Warranties for Leasehold Estates** – Revises language regarding Mortgages secured by leasehold estates.
- **Chapter 44 – Appraisal Reports, Inspection Reports and No-appraisal MAF** – Revises language regarding collateral assessment requirements and adds language regarding the No-appraisal MAF .
- **Chapter 46 – Freddie Mac’s Postfunding Quality Control Review** - Revises language regarding the No-appraisal MAF.
- **Chapter 48 – Seller’s In-House Quality Control Program** - Revises language regarding the No-appraisal MAF.
- **Chapter 51 – General Freddie Mac Policies** – Revises language regarding leasehold Mortgages
- **Chapter 58 – Property Insurance** – Revises language regarding ground lease communities.
- **Chapter 59 – Escrows and Prepayments** – Adds language regarding taxing of Manufactured Homes as personal property
- **Chapter 60 – Transfers of Ownership (Assumptions)** – Revises language regarding leasehold estates and revises a cross-reference.
- **Chapter 64 – Delinquencies** – Revises language regarding leasehold Mortgages.
- **Chapter 65 – Loss Mitigation** – Revises language regarding the BPODirect process
- **Chapter B65 – Workout Options** – Revises language regarding Manufactured Homes and leasehold Mortgages.
- **Chapter 66 – Foreclosure** – Revises language regarding Manufactured Homes and leasehold Mortgages.
- **Chapter 67 – Adverse Matters** – Revises language regarding leasehold Mortgages.
- **Chapter 70 – REO** – Revises language regarding leasehold Mortgages.

- **Chapter 71 – Reimbursement of Expenses** – Revises language regarding leasehold Mortgages.

- **Chapter 77 – Establishing Investor Accounting Functions** – Revises language regarding the replacement of the TBW issuer rating with the Fitch Short-Term Deposit Rating.

#### Exhibits

We have revised the following exhibits:

- **Exhibit 5 – Authorized Changes to Notes, Riders and Security Instruments**
- **Exhibit 19 – Postsettlement Delivery Fees**
- **Exhibit 24 – Third-Party Verification Services**
- **Exhibit 26 – Discretionary Provisions**
- **Exhibit 83 - Determining Your Foreclosure Time Line Performance**

#### Forms

We have revised the following forms:

- **Form 11 – Mortgage Submission Schedule**
- **Form 13SF – Mortgage Submission Voucher**
- **Form 104SF – Statement of Loan, Workout and REO Expenses and Income**
- **Form 1149 – Notice About the Appraisal of Your Property**

#### Glossary

We have added the following term:

- **No-Appraisal MAF**

We have revised the definition of the following term:

- **Minimum Assessment Feedback**

This page intentionally left blank.

# Exhibit B

## Chapter 44 Transposition Chart

FROM	TO
44.1 Overview	44.1 Overview
44.1 (a) Origin of request	44.3(a) Origin of request
44.1 (b) Seller warranties	44.3(b) Seller warranties
44.1 (c) Market value definition	44.3(c) Market value definition
44.1 (d) Residential requirements	44.2 Residential requirements
44.1 (e) Detrimental conditions	44.3(d) Detrimental conditions
44.1 (f) Limiting conditions and certification	44.3(f) Limiting conditions and certification
44.1 (g) Maximum financing	44.3(e) Maximum financing
44.2 Appraisers	44.4 Appraisers/Appraiser qualifications
44.2(a) Appraiser qualifications	44.4 Appraisers/Appraiser qualifications
44.2(b) Representations to third parties by appraisers or appraisal services	44.4(a) Representations to third parties by appraisers or appraisal management companies
44.2(c) Unacceptability of appraiser	44.4(b) Unacceptability of appraiser
44.3 Information supplied to the appraiser	44.5 Information supplied to the appraiser
44.4 Unacceptable collateral assessment practices	44.6 Unacceptable appraisal or inspection report practices
44.5 Collateral assessment forms	44.7 Overview and types of appraisal and inspection reports and No-appraisal MAF <b>and</b> 44.7(d) Changes to appraisal and inspection report forms
44.5(a) Loan Prospector's Minimum Assessment Feedback	44.8 Loan Prospector Minimum Assessment Feedback <b>and</b> 44.11 Seller representations and warranties regarding value, condition and marketability
44.5(b) Inspection levels	44.7(c) Inspection levels
44.5(c) Appraisal reports	44.9 Appraisal and inspection forms and No-appraisal MAF
44.5(d) Inspection report	44.9 Appraisal and inspection forms and No-appraisal MAF
44.5(e) Appraisal review report	44.22 Appraisal review report
44.5(f) Date of collateral assessment report	44.7(e) Date requirements
44.5(g) Electronic transmission of collateral assessment reports	44.21 Faxing and electronically transmitting appraisal and inspection reports
44.5(h) Facsimile transmission of collateral assessment reports	44.21 Faxing and electronically transmitting appraisal and inspection reports
44.6 Exhibits required	44.12 Exhibits required
44.7 Addenda required	44.13 Addenda required
44.8 Satisfactory Completion Certificate	44.14 Satisfactory Completion Certificate
44.9 Property description and analysis on the appraisal report	44.15 Property description and analysis on the appraisal report
44.10 Property valuation on the appraisal report	44.16 Property valuation on the appraisal report
44.11 Energy efficient properties	44.17 Energy efficient properties
44.12 PLD units	44.18 PLD units
44.13 Condominium units	44.19 Condominium units
44.14 2-4 unit properties	44.20 2-4 unit properties
44.15 Flood insurance delivery requirements	44.15(c) Site section
44.16 2-4 unit properties delivery requirements	44.20(d) Delivery requirements
NEW	44.3 General requirements for appraisal and inspection reports
NEW	44.10 Borrower Disclosure for inspection reports and No-appraisal MAF
NEW	44.18.1 Leasehold estates in ground lease communities

