

Bulletin

NUMBER: 2001-7

TO: All Freddie Mac Sellers and Servicers

September 10, 2001

Freddie
Mac

SUBJECTS

Requirements amended in this Bulletin:

- Selling and Servicing

Freddie Mac is:

- Expanding the *Single-Family Seller/Servicer Guide* (Guide) to incorporate Gold Cash Xtra[®]
- Increasing the maximum purchase amount for VA Mortgages to permit the sale of VA Mortgages with original unpaid principal balances up to the conventional conforming loan limit of \$275,000, and up to \$412,500 in high cost areas
- Revising requirements related to Custodian certification
- Aligning Guide language regarding mortgage insurance cancellation with the Technical Corrections to the Homeowners Protection Act

EFFECTIVE DATES

All changes noted above are effective immediately.

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

Selling Changes

Gold Cash Xtra

We're pleased to announce that Freddie Mac's Gold Cash Xtra (GCX) execution, previously available only on a negotiated basis, is now available through the Guide.

Like the Gold Cash execution, GCX provides prices based on the prices Freddie Mac expects to receive in the securities market for the participation certificates into which the Mortgages will be placed. There are three commitment options available under GCX:

- best efforts, servicing-retained
- best efforts, servicing-released
- mandatory, servicing-released

GCX's commitment options offer you several advantages. Best efforts commitments help you manage interest rate risk by not requiring you to deliver another Mortgage in place of a Mortgage that does not close, eliminating the need to hedge your pipeline.

Servicing-released commitments allow you to obtain a competitive price from GCX's Servicing buyers during the sale of the loan to Freddie Mac. An additional feature of the GCX execution is its feature-adjusted pricing, that includes most of Freddie Mac's postsettlement delivery fees as shown in Exhibit 19.

With Gold Cash Xtra in the Guide, Sellers will no longer have to sign separate Gold Cash Xtra agreements, and the process for signing up for Gold Cash Xtra software is simpler than ever. For more information on Gold Cash Xtra and to sign up for Gold Cash Xtra software, visit the Gold Cash Xtra pages on our web site at

<http://www.freddiemac.com/sell/secmktg/>.

To incorporate Gold Cash Xtra into the Guide, we have:

- Revised Chapters 9, 17 and 56
- Revised Exhibits 17 and 19
- Added two new Exhibits – Exhibit 27, Gold Cash Xtra Agreement and Exhibit 28, Loan Servicing Purchase and Sale
- Added a new Form – Form 960G, Single-Family Agreement for Concurrent Transfer of Servicing Through Gold Cash Xtra

Increased VA Mortgage Maximum Purchase Amount

Freddie Mac is pleased to announce that we are increasing our maximum purchase amount for VA Mortgages. Seller/Servicers can now sell us VA Mortgages with original principal balances up to the conventional conforming loan limit, currently \$275,000, or \$412,500 in high cost areas.

This change expands secondary market access for federally guaranteed Mortgages and offers the opportunity for VA-eligible Borrowers to purchase homes in higher cost areas using their VA benefits. As a result of this change, you can diversify your lines of business by taking advantage of the increased purchase amount to expand homeownership opportunities in the communities you serve.

We have updated Chapter 35 to reflect this change.

New Form 1034SM/Delivery of Form 1034S and 1034SM by Facsimile and Email Transmission

We are changing our requirements to allow a self-Custodian or third-party Custodian to certify multiple contract deliveries from a Seller on one form. Custodians can take advantage of this change by using our new Form 1034SM, Custodian Certification Schedule Summary for Multiple Purchase Contracts, or they can continue to use a separate Form 1034S for each delivery.

We are further streamlining the certification process by allowing the email transmission of Form 1034S and Form 1034SM to us. Custodians are now able to complete the certification process by delivering these forms to us via facsimile or email transmission. To request an electronic version of these forms, Custodians may contact us at (703) 724-3000 or email a request to **FMMDM@freddiemac.com**.

Uniform Instruments

Due to a change in the law for the State of West Virginia, Freddie Mac and Fannie Mae jointly made changes to the West Virginia Uniform Fixed Rate Note (Form 3249) and Adjustable Rate Notes (Forms 3501.49, 3502.49, and 3602.49). In order to facilitate your identification of the revised Forms, we have changed the tagline on each form to 1/01 (rev. 7/01). Exhibit 4 of the Guide has been revised to incorporate these changes. In addition, the updated version of the Forms has been posted on our web site at **<http://www.freddiemac.com/uniform/>**. If you have not already done so, you must begin originating Mortgages using the revised version of the Forms immediately.

In addition, Exhibit 5 of the Guide has been updated to add additional authorized changes to Notes, Riders and Security Instruments.

Confidentiality Agreement with Federally Chartered Savings Associations

Section 2.14, Confidentiality agreement with federally chartered savings associations, is being deleted from the Guide. This section was added to the Guide in 1989 as a result of a specific regulation of the Office of Thrift Supervision (OTS) permitting federally chartered savings associations to disclose some information about mortgage Borrowers as part of secondary market transactions provided that the information recipient had entered into a confidentiality agreement with the savings association. Since that OTS regulation is no longer in effect, the Guide Section is no longer necessary.

Group Number Runout

We have replaced the group number field that currently appears on the computer-generated versions of Forms 15/A/B/C, the Loan Purchase Statement, and Form 4, the Convertible Mortgage Conversion Confirmation, with blanks or zeroes. Group numbers have not been required at Freddie Mac since November 2000; these changes represent the final step in eliminating the use of these numbers. Additional questions about these changes should be directed to (800) FREDDIE.

Lifting of Borrower Income Limits for Affordable Gold Mortgages, Freddie Mac 100 Mortgages with an Affordable Second and Alt 97 Mortgages with an Affordable Second for Mortgaged Premises in Concentrated Areas

In Bulletin 2001-6, we announced that we were lifting Borrower income limits for Affordable Gold® Mortgages, Freddie Mac 100 Mortgages with an Affordable Second® and Alt 97® Mortgages with an Affordable Second® when the Mortgaged Premises are located in a Concentrated Area. Replacement pages for Chapter 34 and Exhibit 26 are included with this Bulletin.

You can also obtain information about the Concentrated Areas and Borrower income limits for 2001 on Freddie Mac's web site at <http://www.freddiemac.com/sell/affgold/>.

Servicing Changes

MI Cancellation Changes

We are revising Guide provisions regarding mortgage insurance cancellation to align them with the provisions of Title IV of the American Homeownership and Economic Opportunity Act of 2000, designated as the Private Mortgage Insurance Technical Corrections and Clarification Act (the Technical Corrections). The Technical Corrections clarify certain provisions of the Homeowners Protection Act of 1998 (HPA). We have revised Chapters 27 and 61 to reflect these changes.

Designated Counsel Program Changes in the State of California

Our designated counsel/trustee program in California, begun in 1997, has significantly reduced foreclosure timelines. We are grateful to our designated trustees and bankruptcy counsel for those results. Notwithstanding the diligent work of those trustees and bankruptcy counsel, timeline delays have resulted from the sole fact that separate firms handle the foreclosures and bankruptcies.

As announced in Bulletin 2001-5, we are revising our designated counsel program in California to have the same firm handle both the foreclosure and the bankruptcy. We have selected three firms. Additional firms may be added if foreclosure volumes warrant an expansion of the program. We have updated Exhibit 79, Designated Litigation Counsel/Trustee, to reflect this change.

Foreclosures or bankruptcies referred to the current designated trustees or bankruptcy counsel prior to September 15, 2001, will be handled by those firms. All referrals to foreclosure or bankruptcy after September 15, 2001, should be referred to one of the firms in the revised Exhibit 79.

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 1, 2, 9, 16, 17, 18, 22, 24, 25, 27, 29, 34, 35, 37, 51, 56, 61, 66, 71 and 83
- Exhibits 4, 5, 17, 19, 26, 57 and 79
- New Exhibits 27 and 28
- Form 1034S
- New Forms 960G and 1034SM
- Directory
- Glossary

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.

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

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Exhibit A

Highlights of the Revisions in this Package

Bulletin 2001-7 incorporates changes to the following Chapters, Exhibits, Forms, Glossary and the Directory of the *Single-Family Seller/Servicer Guide* (Guide).

- **Chapter 2 – General Freddie Mac Policies** – Removes Section 2.14, which referenced confidentiality agreements with federally chartered savings associations. Adds new Section 2.22, Gold Cash Xtra Agreement and Loan Servicing Purchase and Sale Agreement.
- **Chapter 9 – Immediate Delivery Home Mortgage Purchase Program** – Adds language regarding Gold Cash Xtra.
- **Chapter 16 – Documentation Delivery** – Adds language regarding the new Form 1034SM.
- **Chapter 17 – Special Delivery Instructions** – Adds language regarding Gold Cash Xtra and the new Form 1034SM.
- **Chapter 18 – Document Custody** – Adds language regarding Form 1034S and the new new Form 1034SM.
- **Chapter 22 – General Mortgage Eligibility** – Revises language regarding living trusts to accommodate certain State laws concerning review of the trust agreement.
- **Chapter 27 – Mortgage Insurance, Late Charges and Prepayment Charges** – Revises language regarding the HPA and mortgage insurance cancellation. Also revises language regarding the mortgage insurance requirement for Alt 97 Mortgages.
- **Chapter 29 – Special Eligibility Requirements for Guarantor/MultiLender Swap Loans** – Revises the reference from Note Date to first payment date for certain ARMs.
- **Chapter 34 – Special Eligibility Requirements for Affordable Gold Mortgages** – Revises language regarding Area Median Income limits for Mortgages secured by property in Concentrated Areas.
- **Chapter 35 – Eligibility Requirements for Special Housing Initiatives** – Revises language regarding VA purchase amount.
- **Chapter 37 – Underwriting the Borrower** – Revises language regarding non-occupant ratios for A-minus Mortgages.
- **Chapter 56 – Transfers of Servicing** – Adds language regarding Gold Cash Xtra and revises Section 56.9 regarding document custody requirements.

- **Chapter 61 – Mortgage Insurance** – Revises language regarding the HPA and mortgage insurance cancellation.
- **Chapter 66 – Foreclosure** – Revises language regarding designated counsel in California.
- **Chapter 83 – Additional Servicing Requirements for Maturing Balloon/Reset Mortgages** – Revises language regarding living trusts to accommodate certain State laws concerning review of the trust agreement.

Exhibits

We have revised the following exhibits:

- **Exhibit 4 – Currently Acceptable Single-Family Mortgage Documents**
- **Exhibit 5 – Authorized Changes to Notes, Riders and Security Instruments**
- **Exhibit 17 – Offer Product Number Listing**
- **Exhibit 19 – Postsettlement Delivery Fees**
- **Exhibit 26 – Discretionary Provisions**
- **Exhibit 57 – 1-4 Unit Property Approved Expense Amounts**
- **Exhibit 79 – Designated Litigation Counsel/Trustee**

We have added the following exhibits:

- **Exhibit 27 – Gold Cash Xtra Agreement**
- **Exhibit 28 – Loan Servicing Purchase and Sale Agreement**

Forms

We have revised the following form:

- **Form 1034S – Custodian Certification Schedule Summary**

We have added the following forms:

- **Form 960G – Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages Sold through Gold Cash Xtra**
- **Form 1034SM – Custodian Certification Schedule Summary for Multiple Purchase Contracts**

Directory

- We have revised **Directory 10** regarding delivery of the Forms 1034S and 1034SM.

Glossary

- We have revised the term: **Transferor**