

# Bulletin

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TO: Freddie Mac Sellers

November 4, 2020 | 2020-43

## SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Loan Product Advisor® resubmission tolerance**
  - Flexibilities for [resubmission to Loan Product Advisor®](#) for changes in loan amount on refinance transactions – **February 4, 2021**
- **Seller's post-funding quality control requirements**
  - Flexibilities for Seller's [post-funding quality control](#) targeted sampling
- **Condominium Projects**
  - Updates to [Condominium Hotels](#) and similar types of transient housing - **February 2, 2021**
  - Updated delivery requirements for [2- to 4-Unit Condominium Projects and Detached Condominium Units](#) - **April 3, 2021**
  - Updates to the Glossary definition of [2- to 4-Unit Condominium Project](#) - **April 3, 2021**
  - Requirement updates for [Exempt from Review](#)
  - Updates to the Glossary definition of [Master Association](#)
  - Clarification relating to [retention of project-related documents](#)
- **Cooperative Projects**
  - Flexibilities on [minimum number of Cooperative Units](#)
  - Flexibilities on Cooperative Corporation [master insurance policy](#) deductibles
  - Updates to [Cooperative Share Loan requirements](#)
- **Home Possible Advantage®**
  - Updates supporting the retirement of [Home Possible Advantage®](#) - **April 26, 2021**

## EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

## LOAN PRODUCT ADVISOR RESUBMISSION TOLERANCE

**Effective for Mortgages with Settlement Dates on and after February 4, 2021**

We are providing additional flexibility by updating our Loan Product Advisor resubmission tolerances for refinance transactions with loan amount changes as follows:

Resubmission is not required on refinance transactions when:		
	Current tolerance	New tolerance
Loan amount decreases	No more than 1%	No more than 5%
Loan amount increases	N/A	No more than \$500, or up to 1% of the loan amount, whichever is less

The loan amount change must not impact mortgage insurance coverage, and the use of an appraisal waiver is not permitted.

Guide impact: [Section 5101.6](#)

## SELLER'S POST-FUNDING QUALITY CONTROL REQUIREMENTS – TARGETED SAMPLING

In Bulletin 2020-11, we announced temporary flexibilities regarding Seller's post-funding quality control targeted sampling requirements. With this Bulletin, these flexibilities are no longer temporary and we are updating Section 3402.4(b) to reflect this change. The Seller must select an appropriate risk-based sample of Mortgages sold to Freddie Mac that become 60 days or more past due in the first six months following the Note Date as part of the Seller's in-house quality control review targeted sample. Previously, Sellers were required to include all Mortgages meeting the noted criteria in their targeted sample. There is no change to the scope of review. The selected Mortgages must be carefully evaluated to determine the presence of any fraud or other deficiency.

Guide impact: Section 3402.4

## CONDOMINIUM PROJECTS

### Condominium Hotels and similar types of transient housing

#### Effective for Mortgages with Settlement Dates on or after February 2, 2021

In response to Seller feedback, we are updating our requirements relating to the ineligibility of Condominium Hotels and similar types of transient housing as follows:

- Specifying that a Condominium Project is considered to be a type of transient housing if the Condominium Project, the homeowners association (HOA) and/or the HOA's property management company or agent facilitates, receives revenue from, or pays expenses or taxes for hotel type services or the renting of Condominium Units on a transient basis
- Adding more specificity about projects with certain characteristics that would be considered Condominium Hotels or transient housing
- Emphasizing that the documentation used to support Seller's analysis that a project is not a Condominium Hotel or similar type of transient housing be retained and must be provided upon request

Guide impact: Section 5701.3

### Delivery requirements for 2-4 Unit Condominium Projects and Detached Condominium Units

#### Effective for Mortgages with Settlement Dates on or after April 3, 2021, but Sellers can implement the changes immediately

Currently, a Condominium Unit Mortgage secured by an attached unit in a 2- to 4-Unit Condominium Project can be delivered as "Streamlined Review," "Full Review," or "Exempt From Review." A Condominium Unit Mortgage secured by a Detached Condominium Unit, in any type of project, can be delivered as "Full Review" or "Exempt From Review."

We are updating the delivery requirements to specify that a Condominium Unit Mortgage secured by a Condominium Unit in a 2- to 4-Unit Condominium Project and a Detached Condominium Unit that is located in any type of Condominium Project must be delivered as ULDD Data Point *Project Classification Identifier* (Sort ID 42) of "Exempt From Review." These changes will also be reflected in a future Uniform Loan Delivery Dataset (ULDD) specification addendum.

Sellers must meet the requirements in Section 5701.7.

Guide impacts: Sections 5701.1 through 5701.3, 5701.5, 5701.6, 5701.7, 5701.12, 6302.20 and Glossary

## 2- to 4-Unit Condominium Project definition

### **Effective for Mortgages with Settlement Dates on or after April 3, 2021, but Sellers can implement the changes immediately**

We are revising the Glossary definition of a 2- to 4-Unit Condominium Project to clarify that the Condominium Project cannot have more than four units. Those units can be a mix of residential units and not more than one commercial unit.

Guide impacts: Section 5701.1 and Glossary

## Exempt from Review requirements

We are updating the requirements for Mortgages delivered as Exempt From Review to clarify that Sellers must confirm that the Condominium Project is not a Condominium Hotel, houseboat project, timeshare project, or project with segmented ownership and does not include Manufactured Homes. This applies to Mortgages secured by a Condominium Unit in a 2- to 4-Unit Condominium Project, Mortgages secured by a Detached Condominium Unit and Freddie Mac-owned refinance Condominium Unit Mortgages.

Guide impact: Section 5701.7

## Master Association definition

To more accurately reflect today's market, the definition of a Master Association has been updated to:

“An association that governs (1) multiple affiliated projects, (2) a mixed-use development, (3) sub-associations within the same condominium project, such as residential and commercial units' sub-associations, or (4) a planned unit development (PUD). It typically manages the affairs that affect the entire planned community or development, whereas the sub-associations handle the affairs pertaining to their specific project(s) or areas of the larger development.”

Guide impacts: Section 5701.1 and Glossary

## Retention of project-related documents

We are updating Section 3301.11 to clarify that unless otherwise specified in Seller's Purchase Documents, Sellers do not need to maintain documents pertaining to a project in the Mortgage File.

Guide impact: Section 3301.11

## COOPERATIVE PROJECTS

### Minimum number of Cooperative Units

In response to Seller feedback, we are updating the Guide to expand eligibility for Cooperative Projects by reducing the minimum number of Cooperative Units in an eligible Cooperative Project from four units to two units.

Additionally, we are updating our requirements for excessive single-investor concentration and combined Cooperative Units to reflect the new minimum number of Cooperative Units in an eligible Cooperative Project.

Guide impacts: Section 5705.3, 5705.4 and 5705.9

### Cooperative Corporation master insurance policy deductibles

A Cooperative Corporation's master insurance policy deductibles for damage due to fire, water (not caused by flooding) or wind must not exceed 5% of the limit maintained for building coverage. We are updating our deductible requirements to allow more flexibility. If the Cooperative Project has a deductible that exceeds 5%, due to a per unit deductible for named perils specific to a geographic area, the unit owner's HO-6 policy may be utilized to meet the deductible.

Guide impact: Section 4703.2

## Cooperative Share Loans

### *Eligibility requirements*

We are updating the Guide to clarify the eligibility requirements for Cooperative Share Loans as follows:

- Cooperative Share Loans, including those delivered as “Exempt From Review,” must meet the Internal Revenue Service (IRS) requirements (Section 216) for a Cooperative Housing Corporation in effect as of the Delivery Date
- The Pro Rata Share calculation example in Section 5705.5(d) has been updated to illustrate how to calculate the Pro Rata Cooperative Share of the Cooperative Corporation’s debt

Guide impacts: Sections 1301.11, 5705.3 and 5705.5

### *Delivery documents*

In response to Seller feedback, we are updating the requirements specifying the types of documents for Cooperative Share Loans that a Seller/Service must deliver to the Document Custodian, and that the Document Custodian must verify to the Seller/Service. We also are specifying that the Seller may maintain a copy of the Recognition Agreement and a copy of the Proprietary Lease in the Mortgage file instead of maintaining the original of such documents.

Finally, to align with industry practice, we are revising the Seller’s representation and warranty regarding the rights of Cooperative Shareholders and Sellers. The Corporation must notify Sellers of any **90-day delinquency** of a shareholder in payment of assessments and Maintenance Fees instead of any **60-day delinquency**.

Guide impact: Section 5705.6, 5705.11, 6304.2 and 6304.3

### *Delivery of Cooperative Share Loans for cash*

Previously, the Guide permitted fixed-rate Cooperative Share Loans to be sold under the Guarantor and MultiLender Swap delivery programs only. We are now allowing fixed-rate Cooperative Share Loans to also be delivered under the Cash delivery program, provided that the unpaid principal balance (UPB) of all Cooperative Share Loans delivered by the Seller under fixed-rate Cash Contracts during any month does not exceed the greater of (i) \$2 million in aggregate, or (ii) 10% of the UPB of each particular fixed-rate product.

Guide impact: Section 6302.45

## RETIREMENT OF HOME POSSIBLE ADVANTAGE

### **Effective April 26, 2021**

As announced in Bulletin 2018-13, requirements for Home Possible® and Home Possible Advantage programs were consolidated, eliminating Home Possible Advantage as a separate offering. Since then, Sellers have been able to submit or deliver Home Possible Mortgages as Home Possible Advantage through Loan Product Advisor and Loan Selling Advisor® with the same experience and requirements.

Effective April 26, 2021, users will no longer be able to submit or deliver Home Possible Mortgages as Home Possible Advantage through Loan Product Advisor or Loan Selling Advisor.

Loan Product Advisor will be updated to prevent the submission of the valid value “Home Possible Advantage” Offering Identifier 250 for ULAD Data Point *Loan Program Identifier* (Unique ID 178.00). Originators must only use the valid value “Home Possible” Offering Identifier 241 when originating Home Possible Mortgages.

Loan Selling Advisor will be updated to prevent the delivery of the valid value “Home Possible Advantage” for ULDD Data Point *Loan Program Identifier* (Sort ID 404). Sellers must only use the valid value “Home Possible Mortgage” when delivering Home Possible Mortgages.

We revised Section 6302.14 to reflect the retirement of the valid value “Home Possible Advantage.”

These changes will also be reflected in future ULDD specification addendum and Loan Product Advisor® Specification Bulletin.

Guide impacts: Section 6302.14 and Exhibit 19

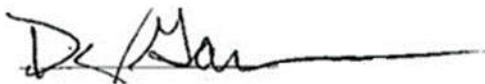
## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2020-43 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2020-43>.

## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Gardner", with a long horizontal line extending to the right.

Danny Gardner  
Senior Vice President, Client and Community Engagement