

Bulletin

NUMBER: 2003-4



TO: All Freddie Mac Sellers and Servicers

June 6, 2003

SUBJECTS

Requirements amended in this Bulletin:

- Selling and Servicing

Selling Changes

Freddie Mac is:

- Revising Exhibit 19, Postsettlement Delivery Fees, to cross-reference the Loan Prospector[®] loan classification levels
- Revising postsettlement delivery fee rates for A-minus Mortgages, other Caution Mortgages and certain Non-Loan Prospector Mortgages, if they are cash-out refinance Mortgages or Investment Property Mortgages
- Introducing the Freddie Mac Selling System, our web-based system for selling Mortgages
- Requiring the delivery and certification of four new data elements for adjustable-rate Mortgages (ARMs)
- Updating Freddie Mac Form 65, Uniform Residential Loan Application, and Form 65A, Statement of Assets and Liabilities, to accommodate Home Mortgage Disclosure Act (HMDA) and USA Patriot Act changes, among other things
- Standardizing and facilitating the process for Sellers to distribute Loan Prospector to third-party originators
- Permitting fax transmission of the Form 996, Warehouse Lender Release of Security Interest
- Adding "co-borrower name" as a field to be certified by Custodians on the Form 1034, Fixed-Rate Custodial Certification Schedule, and the Form 1034A, ARM Custodial Certification Schedule

Servicing Changes

- Revising Exhibit 28, Loan Servicing Purchase and Sale Agreement, to authorize the Transferee Servicer to execute an assignment of Security Instrument for Mortgages sold under Gold Cash Xtra[®] (GCX)
- Requiring Servicers to retain the recorded deed in the Mortgage file for properties foreclosed on that Servicer purchases at a foreclosure sale
- Placing Exhibit 79, Designated Counsel/Trustee, on our website and removing it from the *Single-Family Seller/Servicer Guide* (Guide)
- Updating the online version of Exhibit 79 to introduce designated counsel/trustee in the States of North Carolina and South Carolina, and to update contact information for designated counsel/trustees in some existing designated counsel States

EFFECTIVE DATES:

All of these changes are effective immediately except:

- **June 1, 2003**—For settlements on and after this date, revised postsettlement delivery fee rates are effective for cash-out refinance Mortgages and Investment Property Mortgages if they are A-minus Mortgages, other Caution Mortgages and Non-Loan Prospector Mortgages that have certain Credit Score and LTV ratio combinations
- **June 15, 2003**—Use of designated counsel/trustee in the States of North Carolina and South Carolina for referrals to foreclosure and for bankruptcies on 2–4 unit properties is required on and after this date
- **October 6, 2003**—Delivery and certification of four new data elements for ARMs are required on and after this date
- **January 1, 2004**—The revised Form 65, Uniform Residential Loan Application, and Form 65A, Statement of Assets and Liabilities, is required for applications taken on and after this date and *may not be used prior to this date*

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

Selling Changes

Exhibit 19, Postsettlement Delivery Fees

Enhanced Loan Prospector feedback for postsettlement delivery fees

As announced to Loan Prospector Users last month, we have consolidated all delivery fee messages in a single section of the Loan Prospector Feedback Certificate. The consolidated Delivery Fees Information Section provides you with easy access to fee information for Loan Prospector Mortgages. Loan Prospector now also classifies Mortgages that receive "Caution" and "Caution with A-minus eligible" evaluation results as level 1 through level 5 in the feedback message. These levels are cross-referenced to CS/LTV postsettlement delivery fees (A-minus fees) in Exhibit 19, Postsettlement Delivery Fees.

A revised Exhibit 19 showing the cross-reference to the levels in the feedback messages is included with this Bulletin.

Reduced postsettlement delivery fee rates

At Freddie Mac, we continually evaluate the Mortgages that we purchase. Based on recent data and analysis, we have announced revisions to our cash-out refinance and Investment Property postsettlement delivery fees for Mortgages that are subject to CS/LTV (A-minus) postsettlement delivery fees. These revisions went into effect for settlements on or after June 1, 2003.

As a result of these revisions, Mortgages subject to A-minus fees have the same cash-out refinance postsettlement delivery fee rates and Investment Property postsettlement delivery fee rates as those Mortgages not subject to A-minus fees. Our credit and delivery requirements for cash-out refinance Mortgages and Investment Property Mortgages remain the same.

These changes are effective for all Sellers, including those with Master Commitments currently in effect. This Bulletin serves to amend all outstanding Master Commitments to incorporate the fee rate changes effective as of June 1, 2003, for settlements on or after that date.

The revised Exhibit 19 included with this Bulletin also reflects the fee rate changes.

The Freddie Mac Selling System

We are pleased to introduce the Freddie Mac Selling System, our web-based system for selling Mortgages. The Selling System is available on a negotiated basis to Sellers who sell fixed-rate and Balloon/Reset Mortgages to Freddie Mac on a mandatory cash delivery basis with Servicing retained.

The Freddie Mac Selling System has value-added features and empowers Sellers with greater flexibility and control in managing all secondary market-related activities on a single system including pricing, commitment, loan allocation, purchase editing, Note certification and funding functions.

We have added Chapter 15 and modified the Glossary definition of Purchase Contract to reflect these new provisions. For Sellers who previously entered into separate written agreements with Freddie Mac for use of the Freddie Mac Selling System, that agreement is superseded and replaced by the provisions of Chapter 15 unless Freddie Mac expressly agrees otherwise in writing subsequent to the effective date of Chapter 15.

Contact your Account Manager for additional information about obtaining approval to sell Mortgages using the Freddie Mac Selling System.

New data elements for ARMs

We have amended the Guide to require delivery of four new data elements for ARMs. Document Custodians will also be required to certify these four additional data elements. Requiring delivery of these data elements aligns us with industry best practices; requiring certification of these additional fields will help ensure data integrity. Sellers should review their delivery processes and make any changes necessary to deliver this data correctly and avoid delays in their Funding/Settlement Dates.

We have added Exhibit 30, Standard ARM Index Descriptions, and updated Form 13SF, Mortgage Submission Voucher, and Form 1034A, ARM Custodial Certification Schedule, to reflect these new requirements.

Mortgaged Premises located in the States of New York and Georgia

As announced in our March 31 Industry Letter, due to the enactment of Section 6-L of the New York State Banking Law, and the amendments in March to the Georgia Fair Lending Act (GAFLA), we have revised our requirements for the purchase of Mortgages secured by Mortgaged Premises located in the States of New York and Georgia.

The changes for Georgia Mortgages were effective March 31, 2003. For New York Mortgages, the new purchase requirements are effective for Mortgages with initial loan applications completed on or after April 1, 2003.

We have revised Guide Section 22.18.1 ("Mortgaged Premises located in Georgia") and added a new Section 22.18.2 ("Mortgaged Premises located in New York") to reflect these changes. Replacement pages for these sections are included with this Bulletin.

Form 65, Uniform Residential Loan Application, and Form 65A, Statement of Assets and Liabilities

Freddie Mac and Fannie Mae have completed their joint effort to revise the Uniform Residential Loan Application and Statement of Assets and Liabilities (Forms 65/1003 and 65A/1003A) to accommodate the Home Mortgage Disclosure Act (HMDA) and USA Patriot Act. In addition, Section IX—Acknowledgment and Agreement, has been rewritten to accommodate the trend to electronic originations.

In 2002, the Federal Reserve Board approved revisions to Regulation C, the implementing regulation for HMDA. Regulation C requires mortgage lenders to collect modified ethnicity and race data beginning January 1, 2004. The revised application facilitates the collection by lenders of the new ethnicity and race categories.

We have also revised the application to accommodate the USA Patriot Act, which requires financial institutions to collect customers' dates of birth. The existing application shows age.

Lenders are required to use the revised Form 65/65A for applications taken on or after January 1, 2004. The revised loan application cannot be used prior to this date.

As a result of the Form 65 changes, we must modify our delivery requirements. For applications completed prior to January 1, 2004, for Mortgages delivered on or after January 1, 2004, you must convert the race/national origin category selected to one of the new ethnicity and revised race categories. Our forthcoming delivery requirements will include conversion instructions and will be consistent with the Federal Reserve Board's transition rules, which have not been finalized.

Later in the year, we will be updating Loan Prospector to accommodate these changes. Additional information will be forthcoming.

Copies of these revised Forms are included in this Bulletin. The revised Forms and a Summary of Changes are also available on our website at <http://www.freddiemac.com/sell/forms>. Exhibit B of this Bulletin also displays the Summary of Changes.

Additional changes related to Loan Prospector

The growth of web-based technologies has enabled Sellers to more readily distribute Loan Prospector to third-party originators. As a result, the number of Sellers requesting permission to distribute Loan Prospector to third-party originators has increased significantly. Therefore, we are adding to the Guide Exhibit 29, Agreement of Terms and Conditions for Third-Party Use of Loan Prospector, to standardize and facilitate the process for Sellers to distribute Loan Prospector to third-party originators, and to ensure that Freddie Mac maintains control over the use of Loan Prospector.

This set of conditions applies when a Seller/Servicer wishes to facilitate the use of Loan Prospector by third-party originators and those third-party originators are not directly entering into a Loan Prospector User Agreement with Freddie Mac. The Seller may not use these conditions to provide access to Loan Prospector to any consumer or other non-Mortgage professionals.

Seller/Servicers wishing to provide Loan Prospector access to their third-party originators should request a letter permitting such access from their Loan Prospector Technology sales representative in accordance with new Guide Section 2.20(b).

We have also revised Exhibit 15, Loan Prospector User Agreement, to encompass additional loan services that Freddie Mac may make available through the Loan Prospector platform.

We have updated Chapter 2 and Exhibit 15 and added Exhibit 29 to reflect these changes.

Fax transmission of Form 996, Warehouse Lender Release of Security Interest

In the past, we required Sellers to submit the Form 996, Warehouse Lender Release of Security Interest, by mail. We are pleased to announce that Freddie Mac is revising the Guide to permit a Seller or its Warehouse Lender to transmit a fax copy of the completed and executed Form 996 to a designated fax telephone number. The fax copies will be governed by the applicable provisions of Section 1.3 of the Guide.

The Form 996 has also been modified for use with delivery of single-family Mortgages only. Form 996M, for use by Multifamily Seller/Servicers, will be added to the *Multifamily Seller/Servicer Guide* this month.

We have revised Chapter 19 and Form 996 to reflect these changes.

Revisions to Form 1034, Fixed-Rate Custodial Certification Schedule, and Form 1034A, ARM Custodial Certification Schedule

We are adding "co-borrower name" as a field that Custodians must certify for fixed-rate Mortgages, Balloon/Reset Mortgages and ARMs. This new requirement will help us ensure data integrity. Sellers should review their delivery processes and make any changes necessary to deliver this data correctly and avoid delays in their Funding/Settlement Dates.

We have updated Form 1034, Fixed-Rate Custodial Certification Schedule, and the Form 1034A, ARM Custodial Certification Schedule, to reflect this new requirement.

Servicing Changes

Exhibit 28, Loan Servicing Purchase and Sale Agreement

We are revising Exhibit 28, Loan Servicing Purchase and Sale Agreement, to provide that in the event that a Seller fails to execute an assignment of a Security Instrument upon instruction by a Servicer, the Seller authorizes the Transferee Servicer to execute the assignment for Mortgages sold under GCX.

Recorded deed

We are revising the Guide to require Servicers to retain the recorded deed in the Mortgage file when the Servicer purchases a property at foreclosure sale, rather than send the recorded deed to us.

We have revised Chapter 66 to reflect this change.

Exhibit 79, Designated Counsel/Trustee

Demonstrating our continuing commitment to electronic communication, we've made Guide Exhibit 79, Designated Counsel/Trustee, available on our website at

http://www.freddiemac.com/service/msp/desig_counsel.html.

Effective with this Bulletin, the paper version of Exhibit 79 no longer appears in the Guide. Maintaining Exhibit 79 online enables us to update information more quickly, so you will have access to contact information changes (names, addresses, phone and fax numbers and email addresses) as they occur.

If we change the designated counsel requirements for a particular State, or introduce a new designated counsel State or a new firm in an existing designated counsel State, we will notify you of the change to Exhibit 79 in a Guide Bulletin (see below). We will continue to announce effective dates of these changes in Bulletins as well.

If you are an AllRegs subscriber, you also can access this online version of Exhibit 79 via AllRegs. If you have difficulty accessing Exhibit 79 on Freddie Mac's website, please contact (800) FREDDIE for assistance.

Designated counsel for North Carolina and South Carolina, and changes to contact information in other States

Our designated counsel/trustee program continues to be successful for Servicers and Freddie Mac. Due to this success and based on statistical data, we have retained designated counsel/trustees in North Carolina and South Carolina. We will require use of designated counsel in these States on 2–4 unit properties effective with foreclosures initiated on or after June 15, 2003. However, you may use any of the Freddie Mac designated counsel voluntarily even if you are not required to do so. Refer to Sections 66.15, 67.15 and Exhibits 57 and 79 for more information about this change.

Along with the additions of designated counsel for North Carolina and South Carolina, we have also revised information for contacts in other States. Refer to the online version of Exhibit 79 at

http://www.freddiemac.com/service/msp/desig_counsel.html.

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

Descriptions of revised Guide text are located in Exhibit A of this Bulletin. The revisions include:

- Chapters 2, 5, 6, 15, 17, 19, 22, C33, 51, 52, 53, 66, 67, 72, 78 and 80
- Exhibits 6, 15, 19, 28, 29, 30, 57, 67, 69 and 79
- Forms 13SF, 65, 65A, 960G, 996, 1034 and 1034A
- Directory
- Glossary

At the end of this Bulletin, you'll find replacement pages for the Guide.

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 Business

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Exhibit A

Highlights of Revisions in this Package

Bulletin 2003-4 incorporates changes to the following chapters of the *Single-Family Seller/Servicer Guide* (Guide):

- **Chapter 2**—General Freddie Mac Policies—Revises contact information to reflect the relocation of certain Freddie Mac home office departments. Adds language to standardize and facilitate the process for Sellers to distribute Loan Prospector® to third-party originators.
- **Chapter 15**—Special Requirements for the Use of Freddie Mac's Web-based System for Selling Mortgages—New negotiated chapter that contains requirements for the use of Freddie Mac's web-based Selling System.
- **Chapter 19**—Warehouse Lending Arrangements—Adds language to permit fax transmission of Form 996, Warehouse Lender Release of Security Interest.
- **Chapter 22**—General Mortgage Eligibility—Adds language regarding the purchase of Mortgages secured by Mortgaged Premises located in the State of New York. Revises language regarding the purchase of Mortgages secured by Mortgaged Premises located in the State of Georgia.
- **Chapter 51**—General Freddie Mac Policies—Revises contact information to reflect the relocation of certain Freddie Mac home office departments.
- **Chapter 52**—Mortgage File Retention—Revises language regarding the maintenance of the Mortgage file for Mortgages secured by Mortgaged Premises located in the State of New York.
- **Chapter 53**—Servicer Agreements—Adds language regarding the communication between a Servicer and its foreclosure attorney/trustee and bankruptcy attorney.
- **Chapter 66**—Foreclosure—Adds language regarding the communication between a Servicer and its foreclosure attorney/trustee and bankruptcy attorney. Adds language to require Servicers to retain the recorded deed in the Mortgage file when the Servicer purchases a property at a foreclosure sale. Adds designated counsel in the States of North Carolina and South Carolina.
- **Chapter 67**—Adverse Matters—Adds language regarding the communication between a Servicer and its foreclosure attorney/trustee and bankruptcy attorney. Adds designated counsel in the States of North Carolina and South Carolina.
- **Chapter 80**—Special Servicing and Reporting Requirements for Adjustable Mortgages—Revises contact information to reflect the relocation of certain Freddie Mac home office departments.

Exhibits

We've revised the following Exhibits:

- **Exhibit 6**—Original/Gold Product Option Matrix
- **Exhibit 15**—Loan Prospector User Agreement
- **Exhibit 19**—Postsettlement Delivery Fees

- **Exhibit 28**—Loan Servicing Purchase and Sale Agreement
- **Exhibit 57**—1-4 Unit Property Approved Expense Amounts
- **Exhibit 69**—Seller/Servicer Remittance Analysis

We've moved the following Exhibit from the Guide to our website:

- **Exhibit 79**—Designated Counsel/Trustee

We've added the following Exhibits:

- **Exhibit 29**—Agreement of Terms and Conditions for Third-Party Use of Loan Prospector
- **Exhibit 30**—Standard ARM Index Descriptions

We've removed the following Exhibit:

- **Exhibit 67**—Original/Gold Product Option Matrix

Forms

We've revised the following Forms:

- **Form 13SF**—Mortgage Submission Voucher
- **Form 65**—Uniform Residential Loan Application
- **Form 65A**—Statement of Assets and Liabilities
- **Form 960G**—Agreement of Concurrent Transfer of Servicing of Single-Family Mortgages Through Gold Cash Xtra[®]
- **Form 996**—Warehouse Lender Release of Security Interest
- **Form 1034**—Fixed-Rate Custodial Certification Schedule
- **Form 1034A**—ARM Custodial Certification Schedule

Glossary

We've revised the following terms:

- **Freddie Mac Exclusionary List**
- **Purchase Contract**

Directory

We've revised the following Directories to reflect the relocation of some Freddie Mac home office departments:

- **Directory 9**
- **Directory 10**
- **Directory 11**
- **Directory 17**
- **Directory 19**

Exhibit B

Exhibit B: Summary of Changes to Form 65/1003 - Uniform Residential Loan Application

Section	Change from	Change to	Reason for Change
I. Type of Mortgage and Terms of Loan / Mortgage applied for	FmHA	USDA/Rural Housing Service	Change is a request from USDA/Rural Housing Service
III. Borrower Information (Borrower & Co-Borrower)	Age	DOB (MM/DD/YYYY)	Patriot Act requires covered institution obtain DOB
III. Borrower Information	Former Address (Note: One former address line remains)	Mailing Address, if different from Present Address	Patriot Act
VI. Assets and Liabilities / Monthly Payment & Months Left to Pay column	\$Payt./Mos.	\$Payment/Months	Clarification
IX. Acknowledgment and Agreement (This section also appears on page 2 of Form 65A)	Separate Certification section; No mention of electronic and facsimile transmission of application	<ul style="list-style-type: none"> ■ The Certification was rolled up into the Acknowledgment and Agreement as provision #1 ■ Each of the other provisions in the Acknowledgment and Agreement section were renumbered 2-10 ■ Provision 11 was added to the Acknowledgment and Agreement section to address transmission of an application as an electronic record containing an electronic signature or a facsimile transmission containing a facsimile signature as being as effective, enforceable and valid as if a paper version were delivered containing an original written signature. 	Modified for clarification and to accommodate trend to electronic originations
X. Information for Government Monitoring Purposes	Instructions currently require lender to note race and sex on the basis of visual observation or surname when borrower chooses not to provide the information	<ul style="list-style-type: none"> ■ Require lender to also note ethnicity on basis of visual observation or surname ■ Instruct borrower to answer both ethnicity and race when he/she chooses to provide the information, and ■ Instruct borrower to check all applicable designations for race 	HMDA
X. Information for Government Monitoring Purposes	No ethnicity category	Ethnicity category added: <input type="checkbox"/> Hispanic or Latino or <input type="checkbox"/> Not Hispanic or Latino	HMDA
X. Information for Government Monitoring Purposes	Existing Race/National Origin categories: <input type="checkbox"/> American Indian or Alaskan Native <input type="checkbox"/> Asian or Pacific Islander <input type="checkbox"/> White, not of Hispanic Origin <input type="checkbox"/> Black, not of Hispanic Origin <input type="checkbox"/> Hispanic <input type="checkbox"/> Other (Specify)	New Race/National Origin categories: <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White	HMDA
X. Information for Government Monitoring Purposes/To be Completed by Interviewer" section	No reference to Internet	Box added to show application taken via Internet	HMDA instructions include how to document applications taken by Internet

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