

Bulletin

NUMBER: 2003-5



TO: All Freddie Mac Sellers and Servicers

August 7, 2003

SUBJECTS

Requirements amended in this Bulletin:

■ Selling and Servicing

Freddie Mac is:

- Modifying our delivery requirements as a result of changes announced earlier this year to Form 65, Uniform Residential Loan Application, to accommodate changes to the Home Mortgage Disclosure Act (HMDA) and the USA Patriot Act
- Delaying the implementation date for four new data elements for adjustable-rate Mortgages (ARMs) until January 1, 2004
- Revising our eligibility requirements for two closing construction to permanent Mortgages to permit the permanent Mortgage lender to be a different lender than the construction lender and revising our delivery requirements for construction to permanent Mortgages
- Modifying our automated underwriting service (AUS) identifiers to enable you to distinguish your AUS transactions from other services on LoanProspector.com
- Confirming that Rural Housing Service (RHS) Section 502 Guaranteed Rural Housing (GRH) Mortgages, Affordable Gold[®] Mortgages with RHS Leveraged Seconds and HUD-Guaranteed Section 184 Native American Mortgages are not subject to a Credit Score/Loan-to-Value (CS/LTV) postsettlement delivery fee (A-minus fee) if they meet the requirements set forth in the *Single-Family Seller/Servicer Guide* (Guide)
- Revising the Single-Family Mortgage Instruments for Puerto Rico
- Removing expense codes that are no longer needed from Exhibit 57, 1-4 Unit Property Approved Expense Amounts; Exhibit 74, Expense and Income Codes for Form 104SF; and Exhibit 75, Adjustment Codes for Form 104SF. We are also revising Exhibit 57 to require a Trustee's Sale Guaranty (TSG) for the State of Montana.

EFFECTIVE DATES:

All of these changes are effective immediately except:

- **September 1, 2003**—The Trustee's Sale Guaranty (TSG) for the State of Montana is required for foreclosures initiated on and after this date.
- **October 7, 2003**—The revised delivery requirements for construction to permanent Mortgages apply to Mortgages delivered on and after this date.
- **November 1, 2003**—Use of the revised Uniform Instruments for Puerto Rico is required for Mortgages originated on and after this date.
- **January 1, 2004:**
 - The revised HMDA-related delivery requirements apply to Mortgages delivered on and after this date.
 - Delivery and certification of the four new data elements for ARMs (announced in Bulletin 2003-4) are delayed until this date.

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

Selling Changes

Revised delivery requirements related to the Home Mortgage Disclosure Act

In 2002, the Federal Reserve Board approved revisions to Regulation C, the implementing regulation for the Home Mortgage Disclosure Act (HMDA). Regulation C requires covered mortgage lenders to collect modified ethnicity and race data beginning January 1, 2004.

In Bulletin 2003-4 (June 6, 2003), we announced that Freddie Mac and Fannie Mae had 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 changes to HMDA and the USA Patriot Act.

We also announced that we would be modifying our delivery requirements as a result of the Form 65 changes. For applications completed prior to January 1, 2004 for Mortgages delivered on and after January 1, 2004, you must convert the race/national origin category selected to one of the new ethnicity and revised race categories. For applications completed on and after January 1, 2004, you must deliver the revised race and new ethnicity categories. Form 11, Mortgage Submission Schedule, and Form 13SF, Mortgage Submission Voucher, have been revised to include conversion instructions that are consistent with the Federal Reserve Board's transition rules.

We have also added two additional delivery fields, HOEPA Status and Rate Spread, to Forms 11 and 13SF.

This Bulletin includes revisions to Chapter 17 to accommodate these changes.

We will also be updating Loan Prospector[®] and Form 1077, Uniform Underwriting and Transmittal Summary, to accommodate the Form 65 changes. A revised Form 1077 will be included in a Bulletin later this year.

Delayed implementation date for new ARM data elements

In Bulletin 2003-4 (June 6, 2003), we amended the Guide to require delivery and certification of four new data elements (Index Source Code, Index Lookback Days, First Rate Adjustment Min Rate and First Rate Adjustment Max Rate) for adjustable-rate Mortgages (ARMs) delivered on and after October 6, 2003.

Due to the systems changes required to accommodate changes to the Home Mortgage Disclosure Act (HMDA) and USA Patriot Act, we are delaying the implementation date for the new ARM data elements so that Sellers may make all the changes to their systems necessary to comply with the new delivery requirements at the same time.

Therefore, we will require delivery and certification of the four new ARM data elements on and after January 1, 2004.

Conversion of construction to permanent Mortgages

We are revising our eligibility and delivery requirements for two closing construction to permanent Mortgages to permit the permanent Mortgage lender to be a different lender than the construction lender.

We are also changing the delivery requirements for construction to permanent Mortgages as follows:

- For one closing construction to permanent Mortgages, to require an additional special characteristics code
- For two closing construction to permanent Mortgages, to provide separate instructions for delivery of Mortgages where the Borrowers execute a new Note and for Mortgages where the Borrowers execute modification agreements

The revised delivery requirements apply to Mortgages delivered on and after October 7, 2003; however, Sellers may begin to deliver Mortgages that meet these requirements using the new delivery instructions immediately.

We have revised Chapters 17 and 23 and Forms 11 and 13SF to reflect these changes.

Changes related to LoanProspector.com

As LoanProspector.com expands to provide additional loan origination-related services, we are modifying our automated underwriting service (AUS) identifiers to make it easier for you to distinguish your AUS transactions from other services we will make available over time.

To accommodate these changes, we are revising the Guide to reflect this new terminology as follows:

- Transaction Number will also be known as AUS Transaction Number
- Key Number will also be known as Loan Prospector (LP) AUS Key Number

We have revised Chapters 17 and 46 and the Glossary to reflect these changes.

Rural Housing Service Section 502 Guaranteed Rural Housing Mortgages, Affordable Gold[®] Mortgages with RHS Leveraged Seconds and HUD-Guaranteed Section 184 Native American Mortgages

We are confirming that Rural Housing Service (RHS) Section 502 Guaranteed Rural Housing (GRH) Mortgages, Affordable Gold Mortgages with RHS Leveraged Seconds and HUD-Guaranteed Section 184 Native American Mortgages are not subject to a Credit Score/Loan-to-Value (CS/LTV) postsettlement delivery fee (A-minus fee) if they meet the requirements for these Mortgages set forth in the Guide.

Chapter 35 has been revised to reflect this confirmation.

Revised Uniform Mortgage Instruments for Puerto Rico

The Single-Family Uniform Mortgage Instruments for Puerto Rico have been revised jointly by Freddie Mac and Fannie Mae. The following revised forms were made available on the Freddie Mac Uniform Instrument website (<http://www.freddiemac.com/uniform/>) and AllRegs in July:

- Puerto Rico First Mortgage, Form 3053, dated 1/01 (rev. 7/03)
- Puerto Rico Fixed Rate Note, Form 3253, dated 1/01 (rev. 7/03)

Freddie Mac and Fannie Mae have authorized a mandatory use date of November 1, 2003, for the Puerto Rico Fixed-Rate Note and First Mortgage; however, originators are encouraged to start using the new forms effective immediately.

We have revised Exhibit 4 to reflect these changes.

Servicing Changes

Removal of expense codes

We have revised Exhibit 57, 1–4 Unit Property Approved Expense Amounts, Exhibit 74, Expense and Income Codes for Form 104SF, and Exhibit 75, Adjustment Codes for Form 104SF, to remove expense codes that are no longer needed.

We have also revised Exhibit 57 to require a Trustee's Sale Guaranty (TSG) for the State of Montana. The TSG requirement is effective with foreclosures initiated on and after September 1, 2003.

Reprint of chapters and exhibits in revised format

As announced earlier this year, a change in software has enabled us to make changes to the layout of Guide pages. We also noted that, as a result of this reformat, you would notice larger Bulletins from time to time.

In this Bulletin, we are reissuing chapters from Volume 1, some chapters from Volume 1A and exhibits from Volume 1A that do not contain text revisions related to the August Bulletin, but that have not yet previously been issued in the revised format. You should remove the current versions of the following items from your Guide and replace them with the new reformatted versions included with this Bulletin:

- Chapters 10, 11, 12, 16, 25, 26, 27, 29, 30, 31, 32, 33, A33, B33, D33, E33, F33, G33, 36, 39, 40, 42 and 43
- Exhibits 1, 2, 7, 9, 11, 14, 16, 17, 18, 20, 21, 22, 23 and 24

We will provide the remaining reformatted chapters from Volumes 1A, 2 and 2A and exhibits from Volume 2A later this year, which will enable us to provide you with an updated Table of Contents for the Guide by year-end.

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 17, 18, 23, 34, 35, 37, 46, 65 and 71
- Exhibits 4, 30, 57, 74 and 75
- Forms 11, 13SF and 16SF
- Glossary
- Directory

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,



David Andrukonis
Senior Vice President, Capital Deployment

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Exhibit A

Highlights of Revisions in this Package

Bulletin 2003-5 incorporates changes to the following chapters of the *Single-Family Seller/Service Guide* (Guide):

- **Chapter 17**—Mortgage Delivery and Settlement Processing—Modifies delivery requirements to accommodate revisions to Regulation C implementing the Home Mortgage Disclosure Act (HMDA). Revises automated underwriting service (AUS) identifiers for use with LoanProspector.com. Revises delivery requirements for construction to permanent Mortgages.
- **Chapter 18**—Document Custody—Adds language regarding the certification process in relation to the Freddie Mac Selling System.
- **Chapter 23**—Maximum Loan Amounts and LTV, TLTV and HLTIV Ratios—Modifies language related to construction to permanent Mortgages.
- **Chapter 34**—Special Eligibility Requirements for Affordable Gold[®] Mortgages—Updates language to identify three cities as metropolitan statistical areas (MSA).
- **Chapter 35**—Eligibility Requirements for Special Housing Initiatives—Updates language to confirm that certain Mortgage products are not assessed a Credit Score/Loan-to-Value (CS/LTV) postsettlement delivery fee (A-minus fee) if they meet the requirements set forth in the Guide.
- **Chapter 46**—Freddie Mac's Postfunding Quality Control Review—Revises AUS identifiers for use with LoanProspector.com.
- **Chapter 71**—Reimbursement of Expenses—Updates language concerning the reimbursement of insurance premiums.

Exhibits

We've revised the following Exhibits:

- **Exhibit 4**—Currently Acceptable Single-Family Mortgage Documents
- **Exhibit 30**—Standard ARM Index Descriptions
- **Exhibit 57**—1-4 Unit Property Approved Expense Amounts
- **Exhibit 74**—Expense and Income Codes for Form 104SF
- **Exhibit 75**—Adjustment Codes for Form 104SF

Forms

We've revised the following Forms:

- **Form 11**—Mortgage Submission Schedule

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- **Form 13SF**—Mortgage Submission Voucher
 - **Form 16SF**—Annual Eligibility Certification Report

Glossary

We've revised the following terms:

- **Feedback Certificate**
- **Key Number**
- **Transaction Number**

Directory

We've revised the following Directory:

- **Directory 11**