

Bulletin

TO: Freddie Mac Sellers

April 14, 2020 | 2020-11

SUBJECT: SELLING GUIDANCE RELATED TO COVID-19

We continue to work closely with Fannie Mae under the guidance of the FHFA to address the ongoing economic implications and uncertainty related to the coronavirus disease (COVID-19) pandemic and its impacts on Borrowers and the Mortgage origination process.

This Guide Bulletin provides:

Property eligibility

- Temporary [Condominium Project flexibilities](#)
- [Appraisal flexibility updates](#)
- [CHOICERenovation®](#) Mortgage updates

Seller's post-funding quality control reviews

- Temporary flexibility with respect to Seller's post-funding [quality control review](#) regarding targeted sampling

Mandatory Cash Contracts

- Revisions to our requirements regarding maximum contract amounts and aggregate cash commitment volume for [Mandatory Cash Contracts and WAC ARM Cash Contracts](#)

Remote Online Notarization

- Updates to our list of permitted States for [Remote Online Notarization](#) and additional clarifications

We are also reminding Sellers of [additional resources](#), including our [Selling FAQs](#) related to COVID-19, which we continue to update.

PROPERTY ELIGIBILITY

Condominium Project reviews

These temporary flexibilities are effective immediately for all Mortgages in process and remain in place for Mortgages with Application Received Dates on or before May 17, 2020.

Freddie Mac is offering temporary flexibilities and guidance to assist Sellers in Condominium Project reviews during the COVID-19 pandemic

Exempt From Review: LTV/TLTV/HTLTV ratios

We are temporarily extending Exempt from Review eligibility for maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC)TLTV (HTLTV) ratios from 80% to a maximum ratio of 90% for Freddie Mac owned "no cash-out" refinance Condominium Unit Mortgages secured by Primary Residences only. When using this new flexibility, Sellers must ensure that the Condominium Project meets the exempt from review requirements in Section 5701.7 and the project in litigation requirements in Section 5701.3(i) (now applicable to higher LTV ratios). Second Homes and Investment Properties are ineligible.

For each Condominium Unit Mortgage, Sellers must deliver ULDD Data Point, *Project Classification Identifier* (Sort ID 42) as "Exempt From Review."

Project Documents used in Condominium Project reviews

Sellers have reported that some Homeowners Associations are experiencing a delay in ratifying their 2020 budgets because they are unable to meet in person to vote on a new budget. When an Established Condominium Project review is used, we will accept the budget from the 2019 fiscal year when the current year's budget has not yet been ratified due to issues related to COVID-19. This flexibility may not be used for New Condominium Project reviews. Sellers are reminded that all other applicable requirements must be met, including requirements relating to delinquent Homeowners Association assessments.

Due to the impact of the COVID-19 pandemic on many businesses, we understand that Sellers are having increased difficulties in obtaining Project Documents from Homeowners Associations and property managers. Sellers may use other sources of Condominium Project data to complete project reviews including, but not limited to, appraisals, MLS records, plat map/site surveys, public records, State laws or local ordinances, and tax searches. Additionally, there are various vendor products available that provide Project Documents and/or information regarding Condominium Project eligibility.

Some information and/or documents, such as the Condominium Project's current budget, may be available only from the Homeowners Association or property manager so Seller may be unable to obtain them if these operations are closed for extended periods. Sellers are reminded that, if they completed a project review for an Established Condominium Project during the one year period prior to the Note Date of the particular Mortgage, that project review may be used for multiple Condominium Unit Mortgages in the same Condominium Project for up to one year prior to the Note Date of the particular Mortgages. For New Condominium Projects, the time frame is 180 days prior to the Note Date.

Note that:

- For all Mortgages with LTV ratios greater than 80%, we require mortgage insurance in accordance with Guide requirements
- Capitalized terms in this Condominium Project reviews section that are not defined in the Glossary are defined in Chapter 5701
- We are not updating the Guide to reflect these temporary flexibilities

Appraisal flexibilities

Map reference field for desktop and exterior-only appraisals

Freddie Mac is clarifying that the map reference field on the appraisal report may only contain the word "desktop" or "exterior." No other words or phrases may be used or included. The map reference field should reflect the appraisal type agreed to with the acceptance of the assignment and the minimum scope of work required for the assignment. The appraiser is responsible for determining what is the adequate scope of work for any assignment and may choose to expand the scope of work beyond the minimum requirements.

Property valuations – appraisal flexibilities for new construction properties (purchase transactions)

In response to Seller inquiries, Freddie Mac is clarifying that the "permissible appraisal requirements" eligibility chart described in Bulletin 2020-5 apply to the appraisal flexibilities for new construction properties including the requirement that second homes with LTV ratios above 85% require an interior and exterior inspection appraisal.

Loan Product Advisor® – update to identify Freddie Mac-owned Mortgages

Loan Product Advisor® will be enhanced at a future date to assist Sellers with identifying if a mortgage being refinanced is owned by Freddie Mac. This enhancement supports our COVID-19 related appraisal flexibilities for Freddie Mac owned no cash-out refinance Mortgages announced in Bulletin 2020-5. If a match is found based on property address and the Social Security number of one or more Borrowers on an existing loan, then informational feedback messages will be returned on both submissions and resubmissions indicating the Mortgage is Freddie Mac-owned.

Loan Product Advisor feedback messages will be updated to reflect these changes.

Delivery instructions

Beginning on April 13, 2020, for Mortgages with property valuations completed in accordance with the appraisal flexibilities in Bulletin 2020-5, Loan Selling Advisor® will be updated to accept "Desktop Appraisal" and "Drive By" as valid values for ULDD Data Point, *Property Valuation Method Type* (Sort ID 89). Starting on this date, Sellers should use their best efforts to provide "Drive By" or "Desktop Appraisal," as applicable, in lieu of "Full Appraisal" for Sort ID 89. However,

we recognize a Seller's systems may not be updated to accommodate this change and in these cases, the Seller may continue to deliver "Full Appraisal."

The table below provides the appropriate delivery instructions when either an exterior-only inspection appraisal report or a desktop appraisal report was used in accordance with the flexibilities in Bulletin 2020-5.

| Sort ID | ULDD Data Point | Exterior-only inspection appraisal report | Desktop Appraisal Report |
|---------|--------------------------------|---|--|
| 89 | Property Valuation Method Type | Drive By | Desktop Appraisal |
| 85 | Property Valuation Form Type | Exterior Only Inspection Residential Appraisal Report (FRE 2055/FNM 2055) Exterior Only Inspection Individual Condominium Unit Appraisal Report (FRE 466/FNM 1075) Exterior Only Inspection Individual Cooperative Interest Appraisal Report (FNM 2095) Small Residential Income Property Appraisal Report (FRE 72/FNM 1025) Manufactured Home Appraisal Report (FRE 70B/FNM 1004C) | Uniform Residential Appraisal Report (FRE 70/FNM 1004) Individual Condominium Unit Appraisal Report (FRE 465/FNM 1073) Individual Cooperative Interest Appraisal Report (FNM 2090) Small Residential Income Property Appraisal Report (FRE 72/FNM 1025) Manufactured Home Appraisal Report (FRE 70B/FNM 1004C) |

Negotiated provisions related to appraisal flexibilities

The appraisal flexibilities announced in Bulletins 2020-5 and 2020-8 may be used in conjunction with negotiated provisions in the Seller's Purchase Documents unless the Seller is otherwise notified by Freddie Mac. For refinance Mortgages, only "no cash-out" refinances of Freddie Mac-owned Mortgages being sold to Freddie Mac are eligible for the appraisal flexibility shown below:

| Permissible appraisal requirements | | | | |
|--|---------------------------|--|--|--|
| Mortgage purpose | LTV ratio | Occupancy type | Ownership of Mortgage being refinanced | Permissible appraisals |
| Purchase transaction, including new construction properties* | Up to 97% | Primary Residence | N/A | Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal |
| | ≤85% | Second homes and Investment Properties | N/A | Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal |
| "No cash-out" refinance | As permitted in the Guide | All | Mortgage being refinanced owned by Freddie Mac** | Interior and exterior inspection appraisal or exterior-only appraisal |

* Permissible appraisals for new construction properties are limited to desktop appraisals.

** Sellers are reminded to determine whether the existing Mortgage is owned by Freddie Mac by referencing its own Servicing records or by accessing the Freddie Mac [Loan Look-Up Tool](#), provided the Borrower has authorized the Seller to obtain this information on its behalf.

Interior and exterior inspection appraisals are required for:

- Second home purchase transactions with LTV ratios > 85%
- “No cash-out” refinances when the Mortgage being refinanced is not owned by Freddie Mac
- Cash-out refinances

All other requirements for the use of temporary flexibilities apply. Refer to Bulletins 2020-5 and 2020-8 for complete requirements.

Virtual inspections for appraisals

Appraisers may use virtual inspection methods to augment the data and imagery that is used for either a desktop appraisal or an exterior-only inspection appraisal. All interior and exterior inspection appraisals require the appraiser to perform a complete onsite interior and exterior inspection of the property. A virtual inspection is not a substitute for an on-site interior and exterior inspection.

CHOICERenovation® Mortgages

In connection with CHOICERenovation® Mortgages with Borrowers who enter into forbearance plans after the Freddie Mac Settlement Date but prior to completion of the renovations, continuation of draw distributions is permitted during the forbearance period. All other program requirements continue to apply.

Additionally, when an appraiser is confirming completion of renovations for a CHOICERenovation Mortgage, an on-site interior and exterior inspection is required for Form 442, *Completion Report*. Although virtual inspections using video and photographs provided by the Borrower or contractor may be used to evidence renovation progress to disburse additional renovation funds, a virtual inspection may not be used to complete Form 442.

TEMPORARY FLEXIBILITIES REGARDING SELLER’S POST-FUNDING QUALITY CONTROL REQUIREMENTS – TARGETED SAMPLING

Freddie Mac recognizes the unique challenges in the market today related to COVID-19 and will allow the following additional temporary flexibility with respect to Seller’s post-funding quality control review.

Effective Term: The QC Flexibilities announced in this Bulletin are effective immediately for all Mortgages currently in the process of a post-closing Seller in-house quality control review and will remain in place for all Mortgages selected through June 2020 for post-closing Seller in-house quality control reviews.

The requirement in Section 3402.4(b) for a Seller to select all Mortgages sold to Freddie Mac that become 60 days or more past due in the first six months following the Note Date for a targeted sample is amended to allow flexibility with respect to the sample size. In lieu of selecting all such Mortgages for its targeted sample, a Seller may select an appropriate risk-based sample. The risk-based sample population must include Mortgages that are past due as a result of COVID-19 hardships.

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.

Because quality control processes are especially important in times of significant stress, we encourage Sellers to adopt the QC Flexibilities only as they feel necessary.

MANDATORY CASH CONTRACTS AND WAC ARM CASH CONTRACTS

We are updating the requirements applicable to offer amounts and procedures for fixed-rate Mandatory Cash Contracts as stated in Section 6101.3(a) and WAC ARM Cash Contracts as stated in Section 6102.4(a) to include the following:

- Freddie Mac may, at its discretion and at any time, impose a maximum contract amount for individual Mandatory Cash Contracts

- Sellers may enter into multiple mandatory cash commitments but may not exceed \$200 million in aggregate fixed-rate and WAC ARM commitment volume per day. Sellers may seek an exception to this amount by contacting the Cash Desk (cash_ex@freddiemac.com or 571-382-5960). If this limit is exceeded without prior Freddie Mac approval, Freddie Mac may pair off the Seller's contract(s) or may require the Seller to pair off the contract(s) at the Seller's expense.

The Guide will be updated at a later date to reflect these changes.

REMOTE ONLINE NOTARIZATION

In Bulletin 2020-8, we announced that Electronic notarization may involve a remote process ("Remote Online Notarization") in the States listed in Attachment C to Bulletin 2020-8, *Permitted States for Remote Online Notarization*, provided that the system used for the remote notarization meets the minimum standards provided in the Bulletin.

With this Bulletin, we are adding Arkansas, Georgia and Hawaii to our list of permitted States for Remote Online Notarization (provided in Attachment C to Bulletin 2020-8) and clarifying that in the event the Seller wishes to include the seller of the Mortgaged Premises in the Electronic Closing process:

- The Borrower and the seller of the Mortgaged Premises must give their individual, specific and express Electronic consent to their respective Electronic Signatures on an Electronic warranty deed and other purchase and sale documents
- The Electronic warranty deed must be recorded in the local recorder's office in the State in which the Mortgaged Premises is located, in compliance with the requirements of the Guide

We are also reminding Sellers that if they are interested in including an Electronic Note (eNote) in the electronic closing package containing other documents that are notarized through a Remote Online Notary process, they must obtain Freddie Mac approval to deliver such Mortgages. (See Chapter 1402 on eMortgages.)

Note that capitalized terms in this Remote Online Notarization section that are not defined in the Glossary are defined in Chapters 1401 or 1402.

SYSTEM AND GUIDE UPDATES

We are not updating the Guide at this time to reflect any of the changes noted in this Bulletin.

ADDITIONAL RESOURCES

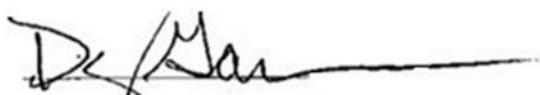
We encourage Sellers to review the following resources:

- Our Single-Family web page on [COVID-19](#)
- Our [Selling FAQs](#) related to COVID-19
- The Center for Disease Control's web page on [COVID-19](#)
- The Appraisal Foundation's [Appraiser Qualifications and Standards Q&As](#)
- The Appraisal Institute's [Coronavirus-related Direction for Appraisers](#)
- National Association of Realtors [Coronavirus Guide for Realtors](#)

CONCLUSION

We appreciate the support that Sellers continue to extend to Borrowers coping with hardships attributed to COVID-19. 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,



Danny Gardner
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