

# Bulletin

TO: Freddie Mac Sellers

June 11, 2020 | 2020-23

## SUBJECT: UPDATES REGARDING TEMPORARY COVID-19-RELATED REQUIREMENTS FROM PREVIOUS BULLETINS

We continue to work closely with Fannie Mae under the guidance and direction 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 Bulletin provides updates regarding certain temporary COVID-19-related requirements and flexibilities announced in previous Bulletins, including:

- The extension of the effective dates for previously announced [temporary requirements and flexibilities](#)
- The extension of the effective dates for the [purchase of Mortgages in forbearance](#)
- The extension of the effective date for Sellers' [post-funding quality control requirements](#)
- [Automated income assessment with Loan Product Advisor®](#)

### Extension of temporary changes from previous Bulletins

In Bulletin 2020-14, we extended the effective date for some previously announced temporary requirements to Mortgages with Application Received Dates through June 30, 2020. We are further extending the effective date for the temporary requirements and flexibilities for Mortgages with Application Received Dates through **July 31, 2020** for the following:

- Credit underwriting requirements announced in Bulletins 2020-5 and 2020-8
- Appraisal and GreenCHOICE Mortgage® flexibilities announced in Bulletins 2020-5, 2020-8 and 2020-11
- Condominium Project flexibilities announced in Bulletin 2020-11
- Power of attorney flexibilities announced in Bulletin 2020-8

### Extension of temporary requirements for purchase of Mortgages in forbearance

We are also extending the temporary requirements for purchase of Mortgages in forbearance announced in Bulletin 2020-12 and extended in Bulletin 2020-17. These requirements are now effective for Mortgages with Note Dates on or after February 1, 2020 and on or before **July 31, 2020**, and Settlement Dates on or after May 1, 2020 and on or before **September 30, 2020**. The chart below has been revised to reflect these changes and to update the language in the first column, second row of the chart such that it is applicable to all cash contracts rather than only those for mortgages that are not delinquent.

Contract type	Additional effective date requirements
<b>Guarantor and MultiLender Contracts</b>	<ul style="list-style-type: none"> <li>Mortgages with Note Dates on or after February 1, 2020 and on or before March 31, 2020 must have Settlement Dates on or before May 31, 2020</li> <li>Mortgages with Note Dates on or after April 1, 2020 and on or before <b>July 31, 2020</b> must have Settlement Dates on or before <b>September 30, 2020</b> (Revised)</li> </ul>
<b>Cash Contracts</b>	
<b>Additional Requirements for Cash Contracts:</b> Mortgages that are in forbearance, that are no more than 30 days delinquent	<p>The Cash Settlement Date must be no later than the 20th of the month after the month the Mortgage became 30 days delinquent (see the definition below).</p> <p>For example:</p> <ul style="list-style-type: none"> <li>Notes with a first payment due date of <b>July 1</b>: If the Borrower does not pay the July payment, the Mortgage will become 30 days delinquent at the close of business on July 31. For these loans, the Settlement Date must be <b>on or before August 20</b>.</li> <li>Notes with first payment due dates of <b>July 2–30</b>: If the Borrower did not pay the July payment, the Mortgage will become 30 days delinquent at the close of business on August 31. For these loans, the Settlement Date must be <b>on or before September 20</b>.</li> </ul>

### Extension of temporary flexibilities regarding Seller’s post-funding quality control requirements – targeted sampling

In Bulletin 2020-11, we announced temporary flexibilities for Sellers related to post-funding quality control reviews. The quality control flexibilities announced in Bulletin 2020-11 were effective immediately for all Mortgages currently in the process of a post-closing Seller in-house quality control review and were to remain in place for all Mortgages selected through June 2020 for post-closing Seller in-house quality control reviews.

These flexibilities will now remain in place for all Mortgages selected through **July 2020** for post-closing Seller in-house quality control reviews.

### Automated income assessment with Loan Product Advisor using tax return data (i.e., AIM for self-employed)

#### **AIM for self-employed and temporary requirements announced in Bulletin 2020-19**

We are explaining how the temporary requirements announced in Bulletin 2020-19 for underwriting Borrowers with self-employment income are applicable to Mortgages originated with automated income assessment with Loan Product Advisor using tax return data (i.e., AIM for self-employed).

Sellers are required to upload any income documentation obtained for analysis to the participating third-party service provider. For Mortgages with Application Received Dates on or after June 11, 2020, this includes the documentation used to meet the temporary requirements. If, after performing the required additional analysis, the Seller finds a discrepancy between the information reflected on the tax returns and other documentation collected (e.g., income reflected on the unaudited year-to-date (YTD) profit and loss statement and supporting business asset statements is not consistent with the income on the uploaded tax returns), the Seller must update the information in the Income Calculation Report and upload the updated report to the service provider. They must then update the information in Loan Product Advisor and (re)submit the Mortgage for assessment of representation and warranty relief eligibility.

## Updating information in the Income Calculation Report and Loan Product Advisor

The Seller must use the Income Calculation Report and Loan Product Advisor to submit the stable monthly income supported by their analysis. The Income Calculation Report can be used to document the analysis, including recording profit and loss information and providing a written analysis of each business with justification that the income amount used to qualify the Borrower is stable. This can be accomplished using the report's current capabilities:

1. **Profit and loss feature:** The Seller wishing to use the Income Calculation Report to document the profit and loss statement must change the "*Profit-And-Loss Statement Available*" field from "No" (the default) to "Yes." The Seller may then enter information from the audited or unaudited profit and loss statement. Once this information is entered, a monthly income based on the updated information from the YTD profit and loss statement is shown. This may affect the monthly income displayed on the Income Calculation Report as follows:
  - If the income from the profit and loss statement is less than the income from the tax returns, then the income from the profit and loss statement information replaces the income from the tax returns on the Income Calculation Report
  - If the income from the profit and loss statement is equal to or greater than the income from the tax returns, then the income on the Income Calculation Report will not change

After documenting the profit and loss statement information and performing the analysis, if the Seller determines that the Income Calculation Report accurately reflects the stable monthly income (whether or not the income changed as a result of entering profit and loss information as described above), the Seller may use the "*Notes*" section to detail the rationale and justification for the income amount used. The Seller must then upload the updated report to the service provider and submit the loan with the stable monthly income amount to Loan Product Advisor for assessment of representation and warranty relief eligibility.

2. **Manual adjustment feature:** If the Seller determines that the income reflected on the profit and loss statement does not represent the stable monthly income from the business, the Seller may manually adjust the income and other line items (e.g., depletion, depreciation, etc.) in the Income Calculation Report in accordance with the temporary requirements. The adjustments must be made as follows:
  - The "*Profit-and-Loss Statement Available*" field must be set to "No,"
  - The Seller must enter the adjusted figures in the "*Manual Overrides*" section of the most recent tax year uploaded to the service provider, and
  - The "*What was considered for QI, 2Yr Avg. or CY?*" field must be set to "CY" [current year]

Once the manual adjustments are made, the monthly income displayed on the Income Calculation Report will change. After performing the required analysis and determining that the adjusted income on the Income Calculation Report accurately reflects the stable monthly income, the Seller may use the "*Notes*" section to detail the rationale and justification for the income amount used. The Seller must then upload the updated report to the service provider and submit the loan with the stable monthly income amount to Loan Product Advisor for assessment of representation and warranty relief eligibility.

All temporary requirements from Bulletin 2020-19 and all other previously announced applicable temporary requirements related to COVID-19 must be met, and documentation used in the required analysis must be uploaded to the service provider. If so, the representation and warranty eligibility decision returned by Loan Product Advisor remains valid.

Loan Product Advisor feedback messages will not be updated to reflect temporary requirements. Current messaging specifies that all documentation uploaded to the service provider (e.g., audited YTD profit and loss statement) must be retained in the loan file.

## ADDITIONAL RESOURCES

We encourage Sellers to review the following resources:

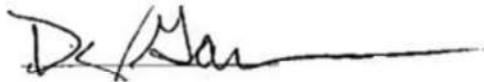
- Freddie Mac Single-Family web page on [COVID-19](#)
- Freddie Mac [Selling FAQs](#) related to COVID-19
- The Center for Disease Control's web page on [COVID-19](#)
- The Appraisal Foundation's [Appraiser Qualifications and Standards Q&As](#)

- 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,

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

Danny Gardner  
Senior Vice President, Client and Community Engagement