Freddie Mac

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Bulletin

NUMBER: 2004-4

TO: All Freddie Mac Sellers and Servicers — October 7, 2004

SUBJECTS

Requirements amended in this Bulletin:

- Selling

Freddie Mac is:

- Permitting use of the American Land Title Association (ALTA) short form title policy
- Adding a requirement that attorneys' opinions of title are not permitted for Mortgages secured by properties subject to deed restrictions or restrictive agreements
- Removing Freddie Mac Selling System (Selling System) delivery requirements for Biweekly Mortgages sold under the Cash program from the *Single-Family Seller/Servicer Guide* (Guide) and adding those requirements to Sellers' contracts
- Providing documentation requirements for Seller-Owned Modified Mortgages and additional instructions for Seller-Owned Converted Mortgages
- Permitting delivery of the Form 996, Warehouse Lender Release of Security Interest, and the Form 996E (available only through the Selling System) by regular mail or overnight delivery service, in addition to fax transmission
- Revising our lease requirements with respect to subleases and court-ordered termination for leasehold Mortgages
- Reminding Sellers that we are retiring the Gold Cash Xtra® software and replacing it with the Selling System

EFFECTIVE DATES:

All of these changes are effective immediately.

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

Selling Changes

Changes related to Chapter 39, Title Insurance

Use of the American Land Title Association (ALTA) short form title policy
Freddie Mac is pleased to announce that Sellers may use the ALTA Short Form Expanding Coverage Residential Loan Policy One-to-Four Family (ALTA short form) (adopted October 22, 2003) for Mortgages sold to Freddie Mac. The ALTA short form can be issued at closing and provides the same coverage and property-specific information contained in the 1992 ALTA standard policy.

Attorneys' opinions of title
We are updating the Guide to reflect that attorneys' opinions of title are not permitted for Mortgages secured by properties subject to deed restrictions or restrictive agreements. As a reminder, an attorney's opinion of title is also not permitted for Mortgages secured by units in a Condominium Project or PUD, leasehold estates or Manufactured Homes.

We have revised Chapter 39 to reflect these changes.

Moving the Selling System delivery requirements for Biweekly Mortgages to Sellers' contracts

We are moving delivery requirements for Biweekly Mortgages sold under the Cash program using the Selling System to Sellers' contracts, and removing those requirements from the Guide. Therefore, a Seller with a negotiated amendment permitting delivery of Biweekly Mortgages will receive a contract amendment containing the Selling System delivery requirements shortly. This change will facilitate compliance with Biweekly Mortgage delivery requirements by providing those complete requirements in one location.

We have revised Chapter 15 to reflect this change.

Documentation requirements for Seller-Owned Modified Mortgages and additional instructions for Seller-Owned Converted Mortgages

We are providing documentation requirements for Seller-Owned Modified Mortgages and additional instructions for Seller-Owned Converted Mortgages in support of the following documentation changes announced in Bulletin 2004-1 (March 26, 2004):

- Revision of the Freddie Mac Multistate Agreement to Convert, Form 3180, 1/01 (rev. 3/04)
- Introduction of the Loan Modification to Fixed Interest Rate, Form 5161, 3/04

Refer to Bulletin 2004-1 for complete details related to these Freddie Mac documents.

We have revised Chapter 32 to include these requirements and instructions.

Delivery of the Forms 996 and 996E, Warehouse Lender Release of Security Interest

We are revising Chapters 15 and 19 to expressly permit Sellers to deliver the Form 996 and the Form 996E (available only through the Selling System) by regular mail or overnight delivery service, in addition to delivery by fax transmission.

Leasehold Mortgages

We are modifying our lease provision requirements to include:

- A requirement that any prohibition against renting or subleasing cease to be effective for the mortgagee and subsequent purchasers of the property in the event of foreclosure or deed-in-lieu of foreclosure
- A requirement that in the event of a court-ordered lease termination for a nonmonetary default, the lease continue in effect and improvements remain on the leasehold estate until completion of foreclosure, deed-in-lieu of foreclosure or other loss mitigation action

We've revised Chapter 41 to reflect these changes.

Reminder about replacement of Gold Cash Xtra (GCX) software with the Selling System

As noted previously in Bulletin 2004-2 (May 21, 2004) and Bulletin 2004-3 (August 11, 2004), GCX functionality for Cash transactions is being retired. No future GCX commitments will be taken.

Information on previous transactions is available through the system until December 31, 2004. If you have any problems retrieving data on past transactions, you may contact the Cash Desk at (800) 366-2353.

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 15, 19, 32, 39 and 41
- Exhibit 5
- Form 483

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,

Michael C. May
Senior Vice President
Mortgage Sourcing, Operations & Funding

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Exhibit A

Highlights of Revisions in this Package

Bulletin 2004-4 incorporates changes to the following chapters of the *Single-Family Seller/Servicer Guide* (Guide):

- **Chapter 15—**Special Requirements for the Use of Freddie Mac's Web-Based System for Selling Mortgages—Removes delivery requirements for Biweekly Mortgages sold under the Cash program using the Freddie Mac Selling System (Selling System). Adds language to permit the delivery of the Form 996E, Warehouse Lender Release of Security Interest, (available only through the Selling System) by regular mail or overnight delivery service.
- **Chapter 19—**Warehouse Lending Arrangements—Adds language to permit the delivery of the Form 996, Warehouse Lender Release of Security Interest, and the Form 996E (available only through the Selling System) by regular mail or overnight delivery service.
- **Chapter 32—**Special Eligibility Requirements for Seller-Owned Converted and Seller-Owned Modified Mortgages—Adds loan document requirements for Seller-Owned Modified Mortgages. Adds instructions in support of the revision of the Freddie Mac Multistate Agreement to Convert, Form 3180, and the new Freddie Mac Multistate Loan Modification to Fixed Interest Rate, Form 5161.
- **Chapter 39—**Title Insurance—Adds language to allow Sellers to use the American Land Title Association (ALTA) Short Form Expanding Coverage Residential Loan Policy One-to-Four Family (ALTA short form). Adds language to reflect that attorneys' opinions of title are not permitted for Mortgages secured by properties subject to deed restrictions or restrictive agreements.
- **Chapter 41—**Special Warranties for Leasehold Estates—Adds to the required lease provisions: (i) a requirement that any provision in the lease prohibiting the lease, sublease or rental of the leasehold estate cease to be effective for the mortgagee and subsequent purchaser of the property in the event of a foreclosure or deed-in-lieu of foreclosure, and (ii) a requirement that in the event of a court-ordered lease termination for a nonmonetary default, the lease continue in effect and any improvements remain on the leasehold estate until foreclosure or deed-in-lieu of foreclosure or other loss mitigation action has been completed.

Exhibits

We've revised the following Exhibit:

- **Exhibit 5**—Authorized Changes to Notes, Riders and Security Instruments

Forms

We've revised the following Form:

- **Form 483**—Wire Transfer Authorization