

Bulletin

TO: Freddie Mac Sellers

March 31, 2020 | 2020-8

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 Bulletin provides:

- Temporary requirements related to [credit underwriting](#)
- Temporary [appraisal flexibilities](#) for new construction properties
- Information related to [CHOICERenovationSM Mortgages](#)
- Temporary flexibilities for [GreenCHOICE MortgagesSM](#)
- Temporary guidance related to acceptable uses of a [power of attorney](#) for refinance transactions
- Guidance related to acceptable uses of [Remote Online Notarizations](#)
- Temporary guidance on the use of [e-mail signatures](#) in transactions with Freddie Mac
- A reminder on the use of “wet” [signatures on Notes](#)
- Temporary changes to [Seller’s in-house quality control](#) requirements

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

CREDIT UNDERWRITING

The temporary credit underwriting requirements below are effective for Mortgages with Application Received Dates on or after April 14, 2020, and remain in place for Mortgages with Application Received Dates on or before May 17, 2020; however, Sellers are encouraged to apply these updates to existing loans in process.

Age of income and assets documentation

We are implementing the following temporary requirements for age of income and assets documentation.

All income and asset documentation must be dated no more than 60 days prior to the Note Date, except as follows:

- If an asset account is reported on a quarterly basis, the Seller must obtain the most recently issued quarterly statement
- For electronic income verifications obtained from third-party verification service providers, the information from the electronic data base reflected on the third-party verification must now be dated no more than 60 days prior to the Note Date
- Our standard Guide requirements for age of documentation continue to apply to the following income types:
 - Military income documented on Leave and Earnings Statements
 - Retirement income
 - Survivor and dependent benefit income
 - Long-term disability income
 - Social Security Supplemental Security Income (SSI)
 - Public assistance income

- Homeownership Voucher Program payments
- Foster-care income
- Trust income (fixed)
- Royalty payments
- Mortgage Credit Certificates (MCC)

Self-employed Borrowers: Verification of the current existence of the business – business open and operating

Currently, when a Borrower is using self-employment income to qualify, the Seller must verify the existence of the Borrower’s business no more than 120 days prior to the Note Date. Due to the impact the COVID-19 pandemic and the various social distancing measures implemented by different jurisdictions are having on many businesses across the country, Sellers must now take additional steps to confirm that the Borrower’s business is open and operating within 10 Business Days prior to the Note Date.

Below are examples of methods the Seller may use to confirm the Borrower’s business is currently operating:

- Evidence of current work (e.g., executed contracts or signed invoices that indicate the business is operating on the day the Seller verifies self-employment)
- Evidence of current business receipts within 10 Business Days of the Note Date (e.g., payment for services performed)
- The Seller certification the business is open and operating (e.g., the Seller confirmed through a phone call or other means)
- Business website demonstrating activity supporting current business operations (e.g., timely appointments for estimates or service can be scheduled)

Stocks, stock options and mutual funds

Due to the continuing market volatility of certain asset types, we are implementing the following temporary requirements applicable to accounts with stocks, stock options and mutual funds:

- Evidence of liquidation, including Borrower receipt of funds, is required when using any funds from these accounts for Down Payment and/or Closing Costs
- The Seller must use no more than 70% of the balance in the accounts in order to meet the reserves requirements in Guide Section 5501.2

PROPERTY VALUATIONS – APPRAISAL FLEXIBILITIES FOR NEW CONSTRUCTION PROPERTIES (PURCHASE TRANSACTIONS)

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.

For new construction properties, where the appraisal was completed “subject to completion per plans and specifications,” including properties that were fully completed after the effective date of the appraisal, and an interior and exterior inspection appraisal cannot be completed, Freddie Mac will permit a desktop appraisal on the forms identified in the following table:

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Guide Form 70, <i>Uniform Residential Appraisal Report</i>
Condominium Unit	Form 465, <i>Individual Condominium Unit Appraisal Report</i>
Cooperative Unit	Fannie Mae Form 2090, <i>Individual Cooperative Interest Appraisal Report</i>

Property type	Acceptable appraisal form
2- to 4-unit property	Form 72, <i>Small Residential Income Property Appraisal Report</i>
Manufactured Home	Form 70B, <i>Manufactured Home Appraisal Report</i>

To accommodate the desktop appraisal using the existing Freddie Mac forms, the revised scope of work, statements of assumptions and limiting conditions provided as Attachment A to Bulletin 2020-5 must accompany the form. Additionally, as stated in Bulletin 2020-5, the appraiser must identify that a desktop appraisal was performed by populating the Map Reference field on the appraisal with “desktop.”

Documentation requirements

If construction of the property has not yet begun or is partially completed, and as a result the appraisal report will be completed “subject to completion per plans and specifications,” the Seller must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
 - If construction has not yet begun a photograph of the site and street scene (i.e., a photograph of the street view in both directions) are required
 - If construction is partially complete, the Seller must provide, or ensure that the builder has provided, the appraiser with all of the following photographs:
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (i.e., a photograph of the street view in both directions)
 - The following interior photos are required when construction is at a stage in which they are available
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
- Fully executed sales contract, including any addenda

If the property is fully completed, and as a result the appraisal report will be completed “as is,” the Seller must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property, including:
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (i.e., a photograph of the street view in both directions)
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
- Fully executed sales contract including any addenda

Builder certification

The Seller must obtain a builder signed certification, which is provided as Attachment A to this Bulletin, *Builder/Contractor Certification*, attesting that the information provided is true and correct. This certification must be included in the Mortgage file.

Completion reports for new construction properties

For new construction properties where the appraisal report was completed “subject to completion per plans and specifications,” if the Seller is unable to obtain a completion report on Form 442, *Appraisal Update and/or Completion Report*, as a result of COVID-19 related issues, Freddie Mac will accept the warranty of completion form, which is provided as Attachment B to this Bulletin, *Completion of Construction Certification*.

CHOICERENOVATIONSM MORTGAGES

In the event a Seller has determined the construction cannot be completed in the required time frame due to COVID-19 concerns or a completion report cannot be obtained, the Seller may e-mail Freddie Mac at CHOICERenovation@freddiemac.com to discuss an extension.

Sellers are reminded that CHOICERenovationSM Mortgages require an interior and exterior inspection appraisal and a completion report on Form 442. The Seller may not use the appraisal flexibilities provided in Bulletin 2020-5 or in this Bulletin with CHOICERenovation Mortgages.

FLEXIBILITIES FOR GREENCHOICE MORTGAGESSM

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.

In connection with GREENChoice MortgagesSM, Freddie Mac will permit the following flexibilities provided in Bulletin 2020-5:

In lieu of Form 442, Freddie Mac will permit a signed letter from the Borrower confirming that the work was completed. Sellers must also provide further evidence of completion which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the Mortgage file.

POWERS OF ATTORNEY

Effective immediately for Application Received Dates on or before May 17, 2020

Section 6301.4 currently permits use of a power of attorney (POA) to execute the Initial Loan Documents and Closing Documents on the Borrower’s behalf when there is a hardship or emergency. With this Bulletin Freddie Mac confirms that the COVID-19 pandemic constitutes an emergency for purposes of Section 6301.4. Sellers may allow use of a POA to close a Mortgage or eMortgage, except for cash-out refinance Mortgages and Texas Equity Section 50(a)(6) Mortgages, in accordance with the temporary flexibilities listed in the following chart:

Previous Guide requirement (prior to this Bulletin)	Temporary flexibilities related to Powers of Attorney
POA may be used to execute Initial Loan Documents and Closing Documents	If the Borrower is unable to sign documents personally or by electronic signature (including by using the mail or delivery service) a POA may be used to execute any of the Initial Loan Documents and Closing Documents related to the origination of the Mortgage, including the initial Form 65, except that the Borrower must personally sign the initial Form 65 (including by means of an Electronic Signature) if at all possible. If an ink or electronic signature is not possible, then signature by an attorney-in-fact is permissible.
Only a person who has a familial, personal or fiduciary relationship with the Borrower may be the attorney-in-fact for the Borrower in a POA	In addition to those persons permitted by Section 6301.4 to be the attorney-in-fact, the following are also allowed: <ul style="list-style-type: none">An individual employed by the title insurer underwriting the title insurance policy for the Mortgage; or

Previous Guide requirement (prior to this Bulletin)	Temporary flexibilities related to Powers of Attorney	
	<ul style="list-style-type: none"> An individual employed by the title agency issuing the title insurance policy for the Mortgage and closing the transaction but only if the title insurer has issued a closing protection letter relating to the transaction (or similar contractual indemnity) for such policy issuing agent <p>Neither the property seller of the property in a purchase transaction nor an employee of the originating lender is eligible to become an attorney-in-fact under a POA unless he or she otherwise meets an eligibility requirement herein.</p>	
	No cash-out refinance Mortgages	Purchase transaction Mortgages
POA must be notarized	POA does not have to be notarized unless required by applicable law, e.g., to record it with the Security Instrument. If a POA must be notarized, it may be remotely notarized in all jurisdictions, even if not expressly permitted by this Bulletin, as long as the power of attorney is not required to be recorded.	POA must be notarized.
Discussion with Borrower not needed	Discussion with Borrower not needed.	<p>For Mortgages with Note Dates on and after April 7, 2020:</p> <p>After the Closing Disclosure has been delivered to the Borrower but prior to closing, an employee of the originating lender or settlement agent must explain and discuss the terms of the loan and use of the POA with the Borrower to confirm that the Borrower understands them. This discussion must take place in person, telephonically or using a video conference system and must be memorialized by an acknowledgment by the Borrower of his or her understanding of the terms of the loan. The acknowledgment may be in writing or in a recording of the telephonic or video discussion.</p> <p>However, whenever the attorney-in-fact under the POA is an individual employed by the title insurer or the title agent, then the discussion described above is always required, regardless of loan type.</p>

These temporary requirements **do not** apply to cash-out refinance Mortgages and Texas Equity Section 50(a)(6) Mortgages.

REMOTE ONLINE NOTARIZATION

Effective immediately, Section 1401.16 provides that a Seller may sell Mortgages to Freddie Mac in which Electronic Notarization is used to notarize Electronic Security Instrument(s), other Electronic closing documents (“Electronic Closing Documents”) and/or assignments and other post-closing documents (“Post-Closing Documents”). As of the effective date of this Bulletin, such Electronic notarization otherwise meeting the requirements of this section may involve a remote process (“Remote Online Notarization”) in the States listed in Attachment C to this Bulletin, *Permitted States for Remote Online Notarization*, provided that the system used for the remote notarization meets the following minimum standards:

- At least two-factor identity authentication, including using a government-issued photo ID that has a signature, credential analysis and identity-proofing;
- Tamper-sealed notarized documents and system security sufficient to: (A) prevent interference with the authenticity, integrity and security of the notarial ceremony or corruption or loss of the recording of the same, and (B) protect the communication technology, electronic record and backup record from unauthorized use;

- The remote online notary must keep a secure electronic journal of the notarial act, including evidence of identity of the principal (a video and audio conference can be the basis for satisfactory evidence of identification) and maintain a backup of the electronic record; and
- Recording of the notarial ceremony with storage for the minimum period required by applicable laws or if no period is specified in the applicable law, for seven years

In addition, Mortgages closed using the Remote Online Notarization process must meet the following requirements:

- (a) The Mortgages must not be Texas Equity Section 50(a)(6) Mortgages;
- (b) Each notary public must be located in a State which authorizes licensed notaries to engage in Remote Online Notarization and must be licensed to engage in Remote Online Notarization. If the Borrower and the Mortgaged Premises are located in a State different from the State in which the notary public is licensed and located, the State law in the State where the notary public is licensed and located must authorize the notary public to engage in such interstate Remote Online Notarization transactions;
- (c) In connection with each Mortgage, the Seller must obtain a title insurance policy that meets the requirements of the Guide and does not make or take any exceptions to the fact that the Closing Documents and/or Post-Closing Documents have been remotely, electronically notarized by a notary public;
- (d) The signers' Electronic Signatures are: (i) attached to or logically associated with the Closing Documents and/or Post-Closing Documents, as applicable and (ii) remotely, electronically notarized using a system meeting the minimum technical standards listed above in this section;
- (e) The Seller must record the electronically signed and remotely, electronically notarized Closing Documents and/or Post-Closing Documents in the applicable public land records recorder's office, in compliance with the requirements of the Guide;
- (f) The Seller must maintain the recording of the notarial ceremony for the life of the loan
- (g) If Borrowers request other notary options that are permitted within a State where the Borrower and the Mortgaged Premises are located, the Seller must not require Remote Online Notarization
- (h) The Seller represents and warrants to, and covenants and agrees with, Freddie Mac that the Seller has confirmed, that all documents that are electronically created, executed, notarized and recorded:
 - Comply with all applicable laws, regulations and rules of each State that permits Remote Online Notarization and the State in which the Mortgaged Premises is located;
 - Comply with the UETA and/or E-SIGN, as applicable;
 - Are valid, effective and enforceable in accordance with the terms therein;
 - Are valid first liens on the Mortgaged Premises, as required by the Guide; and
 - Are recordable in the public land records of the State in which the Mortgaged Premises is located
- (i) For each Mortgage, the Seller must deliver ULDD Data Point, *Investor Feature Identifier*, "J22" indicating the Mortgage was closed using a remote online notary process
- (j) The Seller must deliver the recorded document with the recording information thereon to the Document Custodian or Designated Custodian, in compliance with the requirements of the Guide
- (k) The Seller must promptly advise Freddie Mac of any adverse events that arise (actual or threatened legal action(s), governmental official statements, attorneys general opinions or announcements, enacted or filed legislation, State or federal court decisions) of which Seller becomes aware in the normal course of business which may have an adverse effect on interstate Remote Online Notarization, as contemplated in this section;
- (l) In the event the Seller wishes to include the seller of the Mortgaged Premises in the Electronic Closings process, the Seller must comply with the following:
 - Both the Borrower and the seller of the Mortgaged Premises must give their individual, specific and express Electronic consent to an Electronic warranty deed and other purchase and sale documents;
 - The title insurer must insure the validity, enforceability and effectiveness of the Electronic warranty deed;
 - The use of Electronic warranty deeds and other purchase and sale documents must be permitted under the law of the State in which the Mortgaged Premises is located;
 - The Electronic warranty deed must be electronically recorded in the local recorder's office in the State in which the Mortgaged Premises is located;
 - Long-term storage of the electronically recorded Electronic warranty deeds must be approved by the title insurer, Borrower and seller of the Mortgaged Premises; and

- All such Electronic warranty deeds and other closing documents must comply with ESIGN and/or the applicable UETA and all other applicable laws

If, after the effective date of this Bulletin, a State not listed on Attachment C to this Bulletin expressly adopts a law that expressly permits the use of Remote Online Notarization or expressly accepts (either through State law or through the application of an express federal law) Remote Online Notarizations performed out-of-state in accordance with the laws of the State in which the notarial act is performed, Remote Online Notarized loan documents meeting the requirements above will be permitted. Freddie Mac may change the list of States in Attachment C to this Bulletin based upon subsequent legal developments.

TEMPORARY USE OF E-MAIL TO EFFECT ELECTRONIC SIGNATURES IN TRANSACTIONS WITH FREDDIE MAC

Given the rapid upsurge in remote working arrangements, in response to requests from Seller/Service providers that have not yet implemented electronic signing platforms, we are implementing a temporary solution that involves signing certain contracts and amendments between Freddie Mac and a Seller/Service provider by means of an e-mail exchange. For more information on how to leverage this interim accommodation, contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

REMINDER: BORROWER SIGNATURE ON THE NOTE

Sellers are reminded that only a “wet” signature is permitted on a Note related to a typical closing. Except for eMortgage transactions conducted in accordance with Chapter 1402, a Note cannot be executed using an Electronic Signature.

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

Freddie Mac recognizes the unique challenges in the market today related to COVID-19 and will allow temporary flexibilities with respect to the Seller’s post-funding quality control reviews (“QC Flexibilities”) in the following areas, as set forth more fully below:

- Reverifications typically mailed
- Reverifications of property value

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.

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.

Reverifications typically mailed

Reverifications required in accordance with Section 3402.5 that are typically mailed can be done verbally or electronically. If a verbal or electronic reverification cannot be completed, the Seller can complete the file review without the reverification. However, to take advantage of this QC Flexibility, the Seller must:

- Track all Mortgages for which the verbal or electronic alternative reverification was not completed,
- Conduct a special discretionary sample of such Mortgages upon the expiration of the Effective Term, and
- Perform the required reverifications on the sample population

As reminders:

- The reporting requirements of Section 3402.10 continue to apply with respect to this special discretionary sample
- Sellers are not required to perform certain reverifications of income and/or assets for Mortgages underwritten using AIM (asset and income modeler) with Loan Product Advisor, as described in Sections 5901.5(c), 5902.7 and 5903.5(c), as applicable

Reverifications of property value

Sellers may continue to select either of the two options set forth in Section 3402.5(e) for reverifications of property value. However, in place of the field reviews under either Option 1 or Option 2, Sellers may obtain a quality control review using Loan Collateral Advisor® or other third-party tools to validate that the data and information provided in the appraisal is accurate and supports the value of the Mortgages Premises. If the reviewer reaches a different opinion regarding the value of the Mortgaged Premises through the use of Loan Collateral Advisor and/or the third-party tools, then the Seller may obtain a field review to determine whether the original property value can be supported. In either case, if the review results in a different conclusion regarding the value of the Mortgaged Premises, the Seller must report the difference as a finding in accordance with Section 3402.10.

As a reminder, a desk review would still be required on the remaining nine Mortgages under Option 1.

Pre-closing quality control reviews

The requirements regarding a Seller's pre-closing quality control reviews set forth in Section 3402.8 provide a great deal of flexibility regarding both sample size and scope of review. There is no change to the pre-closing quality control requirements at this time.

SYSTEM AND GUIDE UPDATES

We are not updating Loan Product Advisor feedback messages or the Guide at this time to reflect any of the changes noted in this Bulletin.

ADDITIONAL RESOURCES

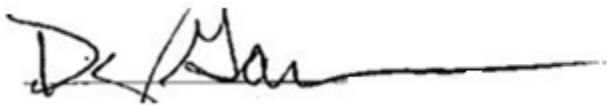
We encourage Sellers to review the following resources:

- 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

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
Senior Vice President, Client and Community Engagement

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Attachment A to Bulletin 2020-8

Builder/Contractor certification

BUILDER/CONTRACTOR CERTIFICATION

Borrower(s):

Property Address:

Legal description, if property address not available:

_____, Builder/Contractor, hereby certifies that for the property identified above, Builder/Contractor has provided the following to the lender or appraiser and all such information is true and accurate:

- Plans and specifications
- Survey and/or plot plan and, if available, property address
- Current photos of the subject property
 - If construction has not yet begun, a photograph of the site and street scene (a photograph of the street view in both directions)
 - If construction is partially completed or fully completed, the lender or builder must provide the appraiser with photographs as follows:
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (a photograph of the street view in both directions)
 - Photographs of the interior rooms if construction is completed or at or passed the drywall stage (i.e., installation of the drywall has begun)
- Fully executed sales contract, including addenda

The signatory below attests that he/she has full and complete authority to sign this document on behalf of the Builder/Contractor.

Signature and date

Printed name of Signatory

Company Name of Builder/Contractor

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Attachment B to Bulletin 2020-8

Completion of construction certification

COMPLETION OF CONSTRUCTION CERTIFICATION

Borrower(s):

Property Address:

Legal description, if property address not available:

The undersigned certify that the dwelling located on the property identified in the caption above has been completed and is constructed in conformity with the plans and specifications including any amendments thereof, or changes and variations therein.

The term "dwelling" as used herein includes all improvements set forth in the plans and specifications and purchase contract upon which the lender has based the appraised value of the property, excepting those constructed by a municipality or other government authority.

Borrower Signature and Date

Borrower Signature and Date

The signatory below attests that he/she has full and complete authority to sign this document on behalf of the Builder/Contractor.

Builder's/Contractor's Signature

Builder's/Contractor's Printed Name, Title and Date

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Attachment C to Bulletin 2020-8

Permitted States for Remote Online Notarization

Pursuant to Section 1401.16, a remote Electronic notarization process is permitted in the following States, subject to the requirements in Bulletin 2020-8:

Alabama	Idaho	Massachusetts	New Jersey	Pennsylvania	Washington
Alaska	Illinois	Michigan	New Mexico	South Carolina	Wisconsin
Arizona	Indiana	Minnesota	New York	South Dakota	Wyoming
Colorado	Iowa	Missouri	North Carolina	Tennessee	
Connecticut	Kansas	Montana	North Dakota	Texas	
Delaware	Kentucky	Nebraska	Ohio	Utah	
District of Columbia	Louisiana	Nevada	Oklahoma	Vermont	
Florida	Maryland	New Hampshire	Oregon	Virginia	