



WHOLESALE ANNOUNCEMENT 2024-19

February 23, 2024

Freddie Mac Updates

Effective Date

Effective immediately

Update/Summary

Adequacy and Availability of Insurance

- Freddie Mac is updating the guide to provide more specificity to ensure that the Mortgaged Premises is covered by adequate insurance to promote sustainable homeownership. The updates include:
 - Specifying that claims must be settled on a replacement cost basis and that insurance policies that provide for claims to be settled at actual cash value or limit, depreciate, reduce or otherwise settle losses for less than a replacement cost basis are not eligible
 - Specifying that the Seller must verify the replacement cost value of the Mortgaged Premises as of the current insurance policy effective date and provide examples of acceptable replacement cost verification sources
 - Deleting coinsurance requirements and references to guaranteed replacement cost, extended replacement cost and replacement cost coverage for master insurance policies
 - Specifying that policy limits for master condominium and cooperative projects must be at least equal to 100% of the replacement cost value of the project's improvements, including Common Elements and residential structures, as of the current insurance policy effective date
 - Relocating the placement of the Condominium Association Coverage Form or its equivalent requirement for master condominium insurance policies to the additional coverage section
 - Updating flood insurance requirements for Condominium Projects to reflect the maximum coverage amount available from the National Flood Insurance Program per unit, consistent with Planned Unit Development (PUD) and Cooperative Project requirements

Credit Underwriting-Age of Tax Returns

- The age of tax return requirements have been updated as follows:
 - Updated the requirements to reflect dates specific to the 2023 tax year
 - Expanded requirements to permit alternative documentation in lieu of the Internal Revenue Service (IRS) confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:
 - Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2022 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2023 business return has not yet been filed; and
 - Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(d) in the row labeled "Business and/or individual tax return(s) – most recent calendar year not yet available"
 - All Mortgages with Note Dates on or after November 1, 2024, the most recent tax return(s) must be no older than 2023, regardless of other factors such as tax filing extension status or IRS tax filing deadline relief status



WHOLESALE ANNOUNCEMENT 2024-19

February 23, 2024

**Freddie Mac
Updates**

Credit Underwriting-Trust Income

- The trust income requirements are being updated as follows:
 - Requirement Type: History of receipt for trust income with pre-determined fixed payment
 - Current Requirement: History of receipt is not required
 - Updated Requirement: Must document receipt of income for the most recent one-year
 - Requirement Type: Documentation of continuance for all trust income types
 - Current Requirement: Evidence of sufficient assets to support the qualifying income (e.g., bank statements, letter from trustee)
 - Updated Requirement: Specified that when the Borrower is the trustee, a letter from a trustee is not acceptable documentation

Automated Collateral Evaluation (ACE)-ACE Eligibility

- Loan Product Advisor will begin offering automated collateral evaluation (ACE) appraisal waivers for cash-out refinance Mortgages. The maximum loan-to-value (LTV)/total LTV ratios will be 70% for a cash-out refinance Mortgage secured by a Primary Residence and 60% for a cash-out refinance Mortgage secured by a second home

Should you have any questions, please reach out to your Account Executive or Client Manager