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Bulletin

TO: All Freddie Mac Sellers and Servicers November 15, 2007

SUBJECT: New and Revised Postsettlement Delivery Fees and Other Changes to the Single-Family Seller/Servicer Guide (Guide)

Freddie Mac continually evaluates the Mortgages that we purchase and the applicable delivery fees. In response to continuing volatility and turmoil in the mortgage market, including the deteriorating performance of higher-risk mortgage products, we are expanding our use of risk-based pricing by adding fees based on Indicator Score and loan-to-value ratio. We are also increasing our delivery fees for certain Mortgages with increased risks.

In addition, we are reminding Sellers of our existing appraisal standards and underwriting expectations related to maximum financing in declining markets. We are also revising our requirements for calculations of maximum financing concessions.

DELIVERY FEES

Changes to Exhibit 19, Postsettlement Delivery Fees

Effective date: March 1, 2008
The new Indicator Score/Loan-to-Value delivery fee and all changes to delivery fee rates announced in this Bulletin will become effective for Mortgages with Settlement Dates on or after March 1, 2008.

To ensure that our delivery fees are appropriately aligned with associated risk, we are:

- Introducing a new delivery fee based on a Mortgage Indicator Score and loan-to-value (LTV) ratio
- Revising the delivery fee rate structure for Mortgages with 80/10/10 secondary financing and Home Possible® Mortgages with secondary financing
- Increasing the delivery fee rates for
  - Mortgages secured by 2-unit Primary Residences with LTV ratios greater than 75% and less than or equal to 90%
  - Mortgages subject to CS/LTV (A-minus) delivery fees
  - Mortgages secured by Manufactured Homes
  - Balloon/Reset Mortgages with LTV ratios greater than 90%
- Reducing the incentive for purchase transaction Home Possible Mortgages where the Borrower income does not exceed 80% of the applicable area median income

Indicator Score and loan-to-value ratio
The new delivery fee will apply to Mortgages with loan-to-value ratios greater than 70% as follows:

Indicator Score	Delivery Fee Rate
Below 620	2.00%
620-639	1.75%
640-659	1.25%
660-679	0.75%

The new Indicator Score/Loan-to-value delivery fee will not apply to the following Mortgages:

- 15-year fixed-rate Mortgages
- Home Possible Mortgages
- Section 184 Native American Mortgages
- Assumable Section 502 Guaranteed Rural Housing Mortgages sold with recourse
- FHA/VA Mortgages
- A-minus Mortgages, which are Mortgages that meet the requirements described in Guide Chapter C33, other Caution Mortgages, and Non-Loan Prospector® Mortgages that are subject to the CS/LTV (A-minus) fees, as set forth on Exhibit 19

The new delivery fee rates are included in the new *Indicator Score/Loan-to-Value Fee* grid on page two of Exhibit 19.

The Indicator Score must be determined by one of the three methods permitted in Section 37.5 of the Guide. The Indicator Score/Loan-to-Value delivery fee rates assume that the middle/lower then lowest method has been used; if another permitted method is used, there will be an adjustment to the Indicator Score/Loan-to-Value delivery fee rate. Freddie Mac also reserves the right to adjust the Indicator Score/Loan-to-Value delivery fee rates for a particular Seller or Sellers if we determine that the particular Seller or Sellers inconsistently use the permitted methods to identify Indicator Scores for Mortgages delivered to Freddie Mac. See Exhibit 19 and Section 37.5(e) for details.

Sellers are already required to deliver Indicator Scores for all Non-Loan Prospector Mortgages. Sellers may deliver the Indicator Score for Loan Prospector Mortgages or permit Freddie Mac to use the Loan Prospector Key Number that Sellers deliver to us to determine the Indicator Score for a Loan Prospector Mortgage. If Sellers deliver a Key Number and no Indicator Score, we will use the Credit Score found on the last Loan Prospector Feedback Certificate dated on or before the Note Date of the Mortgage as the Mortgage Indicator Score.

If the Loan Prospector Key Number is not delivered, as required, and no Indicator Score is delivered, the Mortgage will be assessed the 620 Indicator Score/Loan-to-Value fee.

80/10/10 secondary financing structure
We are revising the delivery fee rate structure for Mortgages with 80/10/10 secondary financing and Home Possible Mortgages with secondary financing to reflect an Indicator Score range of less than 720 and greater than or equal to 720. The Indicator Score range is increased from 700, announced in our August 1, 2007 Bulletin.

2-unit Primary Residences
We are increasing the delivery fee rate from zero to 50 basis points for Mortgages secured by 2-unit Primary Residences with LTV ratios greater than 75% and less than or equal to 90%. This increase does not apply to Home Possible Mortgages secured by 2-unit Primary Residences.

Mortgages subject to CS/LTV (A-minus) delivery fees
We are increasing delivery fee rates by 50 basis points for Mortgages subject to CS/LTV (A-minus) delivery fees (Loan Prospector A-minus Mortgages, other Caution Mortgages, and Non-Loan Prospector Mortgages described in Exhibit 19).

Mortgages secured by Manufactured Homes
We are increasing the delivery fee rate for Mortgages secured by Manufactured Homes by 50 basis points.

Balloon/Reset Mortgages
We are increasing the delivery fee rate for Balloon/Reset Mortgages with LTV ratios greater than 90% by 75 basis points.

Home Possible Mortgages
We provide a pricing incentive for certain purchase transaction Home Possible Mortgages, as we announced in our August 1, 2007 Bulletin. In light of deteriorating market conditions, effective for settlements on or after March 1, 2008, we are reducing the incentive to 50 basis points for one-unit purchase transaction Home Possible Mortgages when the income used to qualify the Borrower converted to an annual basis does not exceed 80% of the applicable area median income. This reduced incentive also applies to purchase transaction Home Possible Mortgages secured by property located in Hurricane Katrina/Rita eligible disaster areas with Note Dates on or before December 31, 2007, regardless of Borrower income.

Revised Exhibit 19
Updated delivery fee rates are reflected in the revised Exhibit 19, which is attached to this Bulletin.

Updating the Guide
Applicable Guide chapters will be revised and announced in a future Bulletin to reflect these changes, with the exception of Exhibit 19, which is revised and attached to this Bulletin. Any additional delivery requirements and/or changes to existing delivery requirements related to these changes will also be announced in a future Guide Bulletin.

DECLINING MARKETS

Lending Practices in Declining Markets

Many areas of the country are experiencing significant and on-going property value depreciation. While the decline in average home prices is widespread, the amount of the decline varies and may be significantly worse than the national average in some areas. In light of these market conditions, we are reinforcing our appraisal standards and underwriting expectations related to maximum financing in declining markets.

Appraiser responsibilities when performing an appraisal
The purpose of an appraisal is to provide the Seller with an accurate and adequately supported opinion of value, based on our definition of market value. Appraisers must determine whether the property they are appraising is located in an increasing, stable or declining market. In reporting the property-value trends, appraisers certify that they have performed an objective and complete analysis of quantifiable data supporting their conclusion. Appraisers must support their conclusions by providing relevant information relating to the property-value trends, demand/supply and marketing time.

Appraisers must also provide a description of the prevalence and impact of financing assistance, e.g. concessions, gifts, or down payment assistance, paid on behalf of a Borrower as well as the assistance generally available in the market. They must also research and comment on the days-on-market, including expired listings of the subject and comparables, as well as list-to-sale price ratios, and the availability of financing. The opinions of value must reflect the value and marketability of the property without concessions.

Seller responsibilities for appraisals

While it is an appraiser's responsibility to indicate the property-value trends in the market in which subject properties are located, Freddie Mac expects Sellers to be aware of market trends in their lending areas. We hold the Seller accountable for the quality, integrity and accuracy of the appraisal.

Among other things, Sellers are responsible for:

- Selection of an appraiser qualified to perform an appraisal of the subject property, without attempting to influence the appraiser's results;
- Providing the appraiser with the sales contract and other information available about the subject property and transaction, including any funds paid on behalf of the Borrower, whether or not the funds are considered an interested-party contribution subject to contribution limits
- Properly underwriting the appraisal to ensure that the appraiser's opinion of value meets the definition of 'market value', and that the appraisal is accurate and fully supported

Sellers are reminded that appraisals must comply with the Uniform Standards of Professional Appraisal Practice (USPAP), applicable Advisory Opinions, laws and regulations, and Freddie Mac requirements.

Restrictions to maximum financing

If the appraiser or Seller has determined that a property is located in a declining market, maximum financing must be reduced. Section 23.5 of the Guide provides that a lender must not offer financing to the maximum LTV ratio in any instance in which property values are declining. In such cases, the LTV ratio must not exceed an amount that is five percent less than the maximum LTV ratio allowed for the specific type of Mortgage or product.

A purchase transaction Freddie Mac 100 Mortgage will not be eligible for purchase if the appraisal report indicates the property is located in a declining market. A purchase transaction Home Possible Mortgage is subject to the maximum financing restrictions described in Section 23.5. For information about refinance Home Possible Mortgages and maximum financing, see Section A34.6.

Tools

We use http://www.ofheo.gov/hpi_download.aspx to help identify declining markets. This is an example of a tool you may use to help in determining whether a Mortgage is subject to our maximum financing limits.

Underwriting expectations – maximum financing in declining markets

With respect to underwriting requirements, when the property securing a Mortgage is located in a declining market, Sellers must:

- Determine whether any contributions are interested-party contributions as described in Section 25.3, if any contributions are offered.
- Determine the maximum interested-party contribution limits based on the lower of the appraised value or the sale price, if applicable
- Adjust the sale price of the property by deducting the total dollar amount of any sales concessions from the sale price of the property. Sales concessions are defined in Section 25.3.
- Calculate the LTV/TLTV ratio based on the lower of the appraised value or the adjusted sale price.
- Restrict the maximum LTV ratio to at least five percent less than the maximum ratio allowed for the transaction. If there is layering of risk, the Seller should consider higher restrictions to the maximum allowable ratio to address market conditions and the risk in the transaction.

MAXIMUM FINANCING CONCESSIONS

Interested party contributions in the form of financing and sales concessions are becoming more common due to market conditions. Currently, we require that maximum financing concessions be determined based on the LTV ratio of a Mortgage. Because maximum financing concessions and lower Borrower contributions are particularly prevalent in transactions with secondary financing, we are changing our guidelines to require that maximum financing concessions be based on TLTV ratio when secondary financing is present, and LTV ratio when there is no secondary financing:

Occupancy	**LTV/TLTV**	**Maximum Financing Concessions (based on "value", as defined in Chapter 23)**
Primary Residence and second home	75% or less	9%
	Greater than 75% up to and including 90%	6%
	Greater than 90%	3%
Investment Property	All	2%

Effective date
The change to maximum financing concessions applies to all Mortgages with Note Dates after March 14, 2008.

Reminder
In addition, we are reminding Sellers that all interested party contributions must be documented in the Mortgage file and clearly reflected on the settlement statement. Any practice of undisclosed sales concessions being given to Borrowers in the form of one-time cash disbursements or monthly credits toward Mortgage payments is unacceptable. All sales concessions must be properly documented and their value deducted from the purchase price in the calculation of LTV and TLTV ratios. Sellers are responsible for ensuring that all credits from any interested parties are disclosed and treated in accordance with Freddie Mac's requirements for financing and sales concessions.

ADDITIONAL INFORMATION: EXISTING GUIDE REQUIREMENTS
In summary, with respect to lending practices in declining markets Sellers should familiarize themselves with the following Guide sections:

- 23.4, Maximum LTV, TLTV and HTLTV ratios
- 23.5, Maximum financing
- 25.3, Interested party contributions
- 44.3, General requirements for appraisal and inspection reports
    - 44.3(b), Seller representations and warranties regarding appraisal and inspection reports
    - 44.3(c), Market value definition
- 44.4, Appraisers
    - 44.4(e) Maximum financing
- 44.5, Information supplied to the appraiser
    - 44.5(a), Information for appraisals

CONCLUSION
If you have questions regarding changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Customer Outreach and Offerings Deployment