



Attorneys At Law

8584 Katy Freeway, Suite 420

Houston, TX 77024

Phone: 713-871-0005

Fax: 713-871-1358

Partners

Gregory S. Graham ¹

Shawn P. Black ²

Ryan Black ³

Senior Lawyers

David F. Dulock

Diane M. Gleason

Daniel S. Engle ⁴

Margaret A. Noles

Associates

Nick Stevens

Syndy Davis

Brandon Pieratt

Ambria Wilmore

Of Counsel

David M. Tritter

Calvin C. Mann, Jr.

Thomas E. Black, Jr. ⁵

Retired Partner(s)

Calvin C. Mann, Jr.

Thomas E. Black, Jr. ⁵

¹ Also Licensed in Georgia

² Also Licensed in Kentucky and New York

³ Also Licensed in District of Columbia

⁴ Also Licensed in New York

⁵ Also Licensed in New York and
Washington

April 15, 2021

To: Clients and Friends

From: David F. Dulock

Subject: Fannie Mae Lender Letter 2021-09 and Freddie Mac Bulletin 2021-13

On April 8, 2021, Fannie Mae issued Lender Letter 2021-09, and Freddie Mac issued Bulletin 2021-13 (*see attachments*) regarding the eligibility for purchase of the new General Qualified Mortgage effective March 1, 2021 and limiting the eligibility for purchase of other Qualified Mortgages as set out in said Lender Letter and Bulletin.

Attach. Lender Letter 2021-09; Bulletin 2021-13

This Memorandum is provided as general information in regard to the subject matter covered, but no representations or warranty of the accuracy or reliability of the content of this information are made or implied. Opinions expressed in this memorandum are those of the author alone. In publishing this information, neither the author nor the law firm of Black, Mann & Graham L.L.P. is engaged in rendering legal services. While this information concerns legal and regulatory matters, it is not legal advice and its use creates no attorney-client relationship or any other basis for reliance on the information. Readers should not place reliance on this information alone but should seek independent legal advice regarding the law applicable to matters of interest or concern to them. The law firm of Black, Mann & Graham L.L.P. expressly disclaims any obligation to keep the content of this information current or free of errors.

To: All Fannie Mae Single-Family Sellers
Introduction of Changes to Loan Eligibility Due to the Preferred Stock Purchase Agreement and Qualified Mortgage Rule

Recent amendments to our senior preferred stock purchase agreement (PSPA) with the U.S. Department of Treasury impose additional criteria on the loans we acquire. Under the terms of the amended PSPA, we are obligated to establish a program on or before Jul. 1, 2021 that ensures that loans we acquire meet specified criteria. This Lender Letter introduces policies we will be implementing in alignment with Freddie Mac and under the guidance of FHFA.

Loans subject to the Qualified Mortgage Rule

The PSPA requires that we acquire loans that meet the revised General Qualified Mortgage (QM) loan definition in the CFPB's rule¹ that became effective Mar. 1, 2021 (Revised QM Rule). As a result, and in accordance with the dates below, we will no longer acquire loans that are GSE Patch loans that do not meet the Revised QM Rule. To be eligible for purchase, such loans must

- have application dates on or before Jun. 30, 2021, and
- be purchased as whole loans on or before Aug. 31, 2021, or in MBS pools with an issue date on or before Aug. 1, 2021.

Exception for government loans

Government loans are referenced² in the CFPB's Revised QM Rule; however, the PSPA3 prohibits our acquisition of them. FHFA is granting an exception to us to continue acquiring government loans. This means that HUD Section 184 loans and Rural Development Section 502 loans will remain eligible for sale to us per the Selling Guide. FHA and VA loans will continue to remain eligible on a negotiated basis (though we are not actively negotiating the purchase of these loans at this time).

Additional updates related to the Revised QM Rule

We are continuing to assess the impact of the Revised QM Rule and PSPA on our policies and operations. We anticipate additional changes in eligibility and underwriting requirements in the following areas:

- The documentation and verification requirements for loans originated under the high LTV refinance option will be updated in light of the Revised QM Rule.
- The calculation of the qualifying payment amount and annual percentage rate (APR) for ARMs with an initial fixed-rate period of five years or less will be updated to require consideration of the maximum rate that may apply in the first five years of the loan.
- All covered loans will be required to comply with the APR to average prime offer rate (APOR) spreads as required by the Revised QM Rule.

1 In Section 1026.43(e)(2)

2 In Section 1026.43(e)(4)

3 In Section 5.14(c) of the Jan. 2021 amendment to the PSPA

Additional details about the actual changes to our policies and implementation, including impacts to Desktop Underwriter®, will be provided in a future lender letter.

NOTE: *As a reminder, it is the lender's responsibility to determine compliance with the Revised QM Rule.*

Lenders may contact their Fannie Mae Account Team if they have questions about this Lender Letter.
Have guide questions? Get answers to all your policy questions, straight from the source. Ask Poli.

Freddie Mac BULLETIN

TO: Freddie Mac Sellers

April 8, 2021 | 2021-13

SUBJECT: UPDATES IN RESPONSE TO THE AMENDED SENIOR PREFERRED STOCK PURCHASE AGREEMENT (PSPA) – GOVERNMENT LOANS AND THE CFPB REVISED GENERAL QM DEFINITION RULE

Freddie Mac, through the FHFA as its conservator, entered into a Letter Agreement dated January 14, 2021 (the “PSPA”) with the Department of the Treasury to amend the Amended and Restated Preferred Stock Purchase Agreement. Under the amended PSPA, we are required to establish a program on or before July 1, 2021 that is reasonably designed to ensure that the loans we purchase are limited to those set forth in the amended PSPA, subject to certain exceptions that may be granted by the FHFA. In accordance with FHFA guidance, we are announcing requirements related to loans originated under the Consumer Financial Protection Bureau’s (“CFPB”) temporary GSE qualified mortgage rule (such mortgages “QMs”; and such temporary CFPB rule, the “GSE Patch”) in order to provide the industry time to implement any necessary changes.

Under the amended PSPA, Freddie Mac will no longer be permitted to purchase QMs under the GSE Patch. Due to the differences in dates referenced in the amended PSPA and the CFPB’s QM final rule effective March 1, 2021 (“Revised QM Rule”), the FHFA provided guidance with respect to the effective dates of this PSPA prohibition.

With this Bulletin, Freddie Mac is announcing that all loans subject to the Revised QM Rule and originated under the prior QM Rule in reliance on the GSE Patch are ineligible for sale to Freddie Mac, unless the loan meets the general QM definition under the Revised QM Rule set forth in 12 CFR 1026.43(e)(2) (“General QM definition”).

We also are announcing today our continued ability to purchase government loans pursuant to FHFA guidance.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective for Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021.

MORTGAGES ELIGIBLE FOR SALE TO FREDDIE MAC

As a result of the PSPA requirements, the following updates will go into effect on the dates shown above:

GSE Patch and Revised QM Rule originations

- All Mortgages subject to the Revised QM Rule must be originated under the requirements of the Revised QM Rule and continue to meet Freddie Mac Guide requirements.
- Mortgages originated using the GSE Patch may not be sold to Freddie Mac if they are subject to the Revised QM Rule and do not meet its requirements. Mortgages originated using the original General QM definition (e.g., Appendix Q) are ineligible.

Government funded, guaranteed or insured Mortgages

The amended PSPA’s list of permissible loans that may be purchased by Freddie Mac does not include QMs that are government funded, guaranteed or insured Mortgages. The FHFA provided Freddie Mac

with an exception to allow the continued purchase of government loans that meet the QM requirements for “other agencies” (12 CFR 1026.43(e)(4)) in the CFPB’s Revised QM Rule.

- The following government funded, guaranteed or insured Mortgages remain eligible for sale to Freddie Mac:
 - Section 502 GRH Mortgages (Guide Section 4205.1)
 - Section 184 Native American Mortgages (Section 4205.3)
 - FHA/VA Mortgages (Section 4205.4)

ADDITIONAL UPDATES

We will be updating the Guide at a future date to implement these requirements.

At this time, Freddie Mac is continuing to work with the FHFA and Fannie Mae in assessing other impacts the amended PSPA and Revised QM Rule may have on our requirements, guidance and operational processes.

Additional details about the actual changes to our requirements and guidance noted above and potentially related to topics such as ARMs, Mortgages exempt from the Revised QM Rule, and Enhanced Relief Refinance® Mortgages will be provided in future Bulletins and Guide updates.

REMINDERS

Determination of regulatory compliance

Freddie Mac will not make the determination of whether a Mortgage, including a Mortgage assessed through Loan Product Advisor®, complies with or is exempt from the Revised QM Rule or whether a Seller’s designation of the status of a Mortgage under the Revised QM Rule is correct. These determinations of compliance with the Revised QM Rule and other applicable laws are the Seller’s responsibility.

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