Bulletin

NUMBER: 99-4

TO: All Freddie Mac Sellers and Servicers May 7, 1999

Freddie Mac

SUBJECTS

This bulletin announces new requirements relating to the cancellation of Borrower-paid mortgage insurance that reflect the passage of the Homeowners Protection Act of 1998 (HPA). The HPA establishes specific mortgage insurance cancellation rights for all Mortgages secured by 1-unit Primary Residences and originated on or after July 29, 1999. The HPA also prescribes borrower disclosure requirements relating to all Borrower-paid mortgage insurance.

We are also issuing updated requirements for the cancellation of Borrower-paid mortgage insurance on Mortgages not covered by the HPA. Additionally, we have made some changes to our requirements for cancellation of Borrower-paid mortgage insurance on Mortgages secured by 2-4 unit Primary Residences or 1-4 unit investment properties.

EFFECTIVE DATES

May 7, 1999

- Revised requirements for Borrower-requested cancellation of mortgage insurance apply to all Mortgages secured by 1-unit Primary Residences or second homes with Origination Dates prior to July 29, 1999
- Revised requirements for Borrower-requested cancellation of mortgage insurance apply to all Mortgages secured by 2-4 unit Primary Residences or 1-4 unit investment properties, regardless of Origination Date

July 29, 1999

- Requirements of the HPA apply to all Mortgages secured by 1-unit Primary Residences or second homes with Origination Dates on or after July 29, 1999

January 2, 2001

- Requirements for mandatory automatic cancellation of mortgage insurance at midpoint of the amortization period for Mortgages secured by 1-unit Primary Residences or second homes with Origination Dates before July 29, 1999
- Requirements to report to us the cancellation of mortgage insurance on Mortgages you service for us

RELATED MATTERS

"High risk" Mortgages

The HPA authorizes, but does not require, us to establish and define categories of Mortgages as "high risk" Mortgages that are subject to different cancellation and Borrower disclosure requirements under the HPA. We have elected not to exercise this authority **at this time**. Accordingly, this bulletin does not contain any high risk Mortgage definition.

Implementation Guide Published by MBA and ACB

The Mortgage Bankers Association of America (MBA) and America's Community Bankers (ACB) are planning to publish this month a book entitled "Implementation Guide to PMI Cancellation: Understanding the Homeowners Protection Act of 1998" (Implementation Guide). The Implementation Guide contains substantial information about the HPA's requirements and how you may implement them. Seller/Servicers may find the information set forth in the Implementation Guide to be useful in planning and carrying out their programs for complying with the HPA. You should also seek the services of competent professionals if you require legal advice or other expert assistance to comply with the HPA.

Seller/Servicers that wish to purchase copies of the Implementation Guide should contact the MBA or ACB, as follows:

Mortgage Bankers Association of America
1125 15th Street, NW, 7th Floor
Washington, DC 20005
(800) 793-MBAA

America's Community Bankers
900 19th Street, NW, Suite 400
Washington, DC 20006
(202) 857-3119

WHY WE'RE MAKING THESE CHANGES

The passage of the HPA necessitated that we revise the *Single-Family Seller/Servicer Guide* (Guide) to indicate to you how to apply HPA requirements to Mortgages you service for us. The enactment of the law also afforded us an opportunity to review our existing policies regarding the cancellation of mortgage insurance and revise them consistent with the interests of Borrowers, Seller/Servicers and Freddie Mac.

HOW THESE CHANGES AFFECT YOU

Borrower-requested cancellation

In addition to making Guide changes that implement the requirements of the HPA, we have:

- Applied the HPA's policy to Mortgages on second homes (as defined in Section 22.22 of the Guide) originated on or after July 29, 1999
- Applied some of the HPA's criteria to Mortgages on 1-unit Primary Residences or second homes originated prior to July 29, 1999
- Aligned our requirements with respect to Mortgages originated prior to July 29, 1999, regarding methods of establishing the value of Mortgaged Premises and of applying a Borrower's payment history with those provided under the HPA, in order to eliminate duplicative standards whenever possible
- Made other changes that are intended to simplify and streamline the mortgage insurance cancellation process

Automatic cancellation (without Borrower request)

For Mortgages secured by 1-unit Primary Residences or second home Mortgages originated on or after July 29, 1999, you must comply with the HPA's automatic cancellation requirements.

Effective January 2, 2001, we will require automatic cancellation at the midpoint of the amortization period for all 1-unit Primary Residence or second home Mortgages, with Origination Dates before July 29, 1999. You may, however, at your option, apply this requirement before January 2, 2001.

Mortgages secured by 2- 4 unit Primary Residences or 1-4 unit investment properties, regardless of their Origination Dates, are not subject to automatic cancellation, either under the HPA or our policies.

Reporting mortgage insurance cancellation to us

We will require you to report to us the cancellation of Borrower-paid mortgage insurance on Mortgages you service for us. We have adopted January 2, 2001, as the implementation date. We are delaying the implementation of this new reporting requirement to allow for the completion of initiatives related to the Year 2000. We will notify you of the specific requirements well in advance of January 2, 2001.

REVISIONS TO THE *SINGLE-FAMILY SELLER/SERVICER GUIDE*

We are including the following new or updated pages of the Guide:

- Revisions to Chapters 23, 27, 61 and 65
- Exhibit 89

We have highlighted the changes on each Guide page (except for pages covering Sections 61.1–61.5) by placing arrows in the margin and double underlining the revised text. Sections 61.2–61.5 are completely new language, despite the fact that they are not double-underlined to indicate this fact. Please follow the instructions on the page preceding the replacement pages to update your Guide.

CONCLUSION

We feel that the changes in our existing policies regarding mortgage insurance cancellation will benefit not only you, but Borrowers as well, by reducing costs and saving time. If you have any questions about the changes contained in this bulletin, please call (800) FREDDIE.

Cordially,

John D. Fisk
Executive Vice President
Single-Family Securitization Group

Paul T. Peterson
Senior Vice President
Servicer Division

Chapter 23

Maximum Loan Amounts and LTV and TLTV Ratios

23.1

Value

For a purchase Mortgage, "value" is the lesser of the appraised value of the Mortgaged Premises on the Origination Date of the Mortgage, or the purchase price of the Mortgaged Premises. For a refinance Mortgage, "value" is the appraised value of the Mortgaged Premises on the Origination Date of the Mortgage. The value of Mortgaged Premises located in the State of New York, as used to determine whether mortgage insurance is required or should be canceled, is the appraised value of the Mortgaged Premises on the Origination Date of the Mortgage. (This definition of the "value" of Mortgaged Premises located in the State of New York applies only to mortgage insurance requirements, and is not applicable for any other purpose under the terms of the Purchase Documents.)

23.2

Calculating LTV and TLTV ratios

$$\frac{\text{LTV}}{\text{TLTV}}$$

The loan-to-value (LTV) ratio is obtained by dividing the original loan amount by value, as defined in Section 23.1. The total loan-to-value (TLTV) ratio is obtained by dividing the sum of the original loan and secondary financing amounts by value, as defined in Section 23.1.

When offering Mortgages to Freddie Mac, the Seller must round each ratio up to the next whole number. (For example, 94.1 percent must be rounded up to 95 percent.)

Chapter 61

Mortgage Insurance

61.1

Mortgage insurance warranties

HPA

You warrant that mortgage insurance is maintained as required in Section 27.1 unless canceled in accordance with the requirements of Sections 61.2–61.4 or pursuant to applicable law. You also warrant that the Borrower has been given all disclosures required by law, including, but not limited to, the Homeowners Protection Act of 1998 (HPA), relating to the terms on which the mortgage insurance may be canceled.

The HPA contains numerous requirements with which you should be familiar and with which you must comply. The Mortgage Bankers Association of America (MBA) and America's Community Bankers (ACB) have published a book entitled "Implementation Guide to PMI Cancellation: Understanding the Homeowners Protection Act of 1998 ("Implementation Guide"). The Implementation Guide contains substantial information about the HPA's requirements and how they may be implemented. Seller/Servicers may find the information set forth in the Implementation Guide to be useful in planning and carrying out their programs for complying with the HPA. You should also seek the services of competent professionals if you require legal advice or other expert assistance to comply with the HPA.

Seller/Servicers that wish to purchase copies of the Implementation Guide should contact the MBA or ACB, as follows:

Mortgage Bankers Association of America
1125 15th Street, NW, 7th Floor
Washington, DC 20005
(800) 793-MBAA

BULLETIN 99-4

REPLACEMENT PAGES - VOLUME 1

Replacement pages, incorporating revisions and clarifications to Volume 1, immediately follow this page. Please insert the accompanying replacement pages into Volume 1 of your Guide and remove the existing outdated pages.

Below, you will find filing instructions that list the outdated Guide pages to remove and the new pages to insert.

FILING INSTRUCTIONS - VOLUME 1	
REMOVE	**INSERT**
Pages 23-1 – 23-2, dated 1/1/99 Pages 23-3 – 23-4, dated 10/31/97 Pages 23-5 – 23-6, dated 9/1/96 & 5/31/96 Pages 23-7 – 23-10, dated 5/31/96	Pages 23-1 – 23-10, dated 5/7/99
Pages 27-1 – 27-4, dated 1/1/98	Pages 27-1 – 27-4, dated 5/7/99

23.3

Maximum original loan amounts for Home Mortgage purchases

The following maximum original loan amounts apply to Home Mortgages delivered after January 1, 1999:

Number of units	Maximum original loan amount	Properties in Alaska, Guam, Hawaii or Virgin Islands
1	$240,000	$360,000
2	$307,100	$460,650
3	$371,200	$556,800
4	$461,350	$692,025

23.4

Maximum LTV and TLTV ratios

The maximum LTV ratios and TLTV ratios for purchase and refinance Home Mortgages sold to Freddie Mac are as follows:

(a) For Mortgages to U.S. citizens, Lawful Permanent Resident Aliens, or nonpermanent resident aliens who are coborrowing with a U.S. citizen or Lawful Permanent Resident Alien

PURCHASE TRANSACTIONS			
	Maximum LTV with		
Property	1 lien	sec. fin.*	TLTV*
1-unit property			
Primary Residence (fixed-rate)	95%	75%	90%
Primary Residence (ARM)	90%	75%	90%
Primary Residence (7-year balloon/reset) (See Section 17.10)	90%	**	**
Primary Residence (5-year balloon/reset)	80%	**	**
Second home (fixed-rate or ARM)	80%	75%	90%
Second home (balloon/reset)	80%	**	**
2-unit property			
Primary Residence (fixed-rate or ARM)	90%	75%	90%

23.4
Maximum LTV and TLTV ratios (continued)

PURCHASE TRANSACTIONS			
	Maximum LTV with		
Property	**1 lien**	**sec. fin.***	**TLTV***
2-unit property			
Primary Residence (balloon/reset)	80%	**	**
3-4 unit property			
Primary Residence (fixed-rate only)	80%	75%	80%

REFINANCE TRANSACTIONS			
	Maximum LTV with		
Transaction and property	**1 lien**	**sec. fin.***	**TLTV***
"No cash-out" transaction			
1-2 unit Primary Residence*** (fixed-rate or ARM)	90%	75%	90%
1-unit Primary Residence*** (7-year balloon/reset) (See Section 17.10)	90%	**	**
1-unit Primary Residence*** (5-year balloon/reset)	80%	**	**
2-unit Primary Residence (balloon/reset)	80%	**	**
3-4 unit Primary Residence (fixed-rate)	80%	75%	80%
Second home*** (fixed-rate or ARM)	70%	70%	70%
Second home*** (balloon/reset)	70%	**	**
"Rate/term" transaction (see Section 24.3)			
1-4 unit Primary Residence (fixed-rate only)	95%	75%	95%
"Cash-out" transaction			
1-4 unit Primary Residence (fixed-rate only)	75%	75%	75%
1-unit Primary Residence (ARM only)	70%	70%	70%

23.4 Maximum LTV and TLTV ratios (continued)

ARMs

*For any Mortgage with secondary financing, the maximum TLTV ratio shown above and the maximum LTV ratio shown under "sec. fin." may not be exceeded.

**Secondary financing is not permitted on Balloon/Reset Mortgages.

***These transactions may include streamlined refinance Mortgages. Adjustable-rate Mortgages (ARMs) refinanced with streamlined processing are not eligible for sale to Freddie Mac after September 30, 1991. (See Section 24.2.)

(b) For Mortgages on which all Borrowers are nonpermanent resident aliens

PURCHASE TRANSACTIONS

	Maximum LTV with		
Property	**1 lien**	**sec. fin.***	**TLTV***
1-unit property			
Primary Residence (fixed-rate or ARM)	90%	75%	90%
Primary Residence (7-year balloon/reset) (See Section 17.10)	90%	**	**
2-unit property			
Primary Residence (fixed-rate or ARM)	75%	75%	75%
3-4 unit property			
Primary Residence (fixed-rate only)	75%	75%	75%

REFINANCE TRANSACTIONS

	Maximum LTV with		
Transaction and property	**1 lien**	**sec. fin.***	**TLTV***
"No cash-out" transaction			
1-unit Primary Residence*** (fixed-rate or ARM)	90%	75%	90%
2-unit Primary Residence*** (fixed-rate or ARM)	75%	75%	75%
3-4 unit Primary Residence (fixed-rate only)	75%	75%	75%

23.4 Maximum LTV and TLTV ratios (continued)

REFINANCE TRANSACTIONS			
	Maximum LTV with		
Transaction and property	1 lien	sec. fin.*	TLTV*
"Rate/term" transaction (see Section 24.3)			
1-unit Primary Residence (fixed-rate only)	95%	75%	95%
2-4 unit Primary Residence (fixed-rate only)	75%	75%	75%
"Cash-out" transaction			
1-unit Primary Residence (fixed-rate only)	75%	75%	75%
1-unit Primary Residence (ARM only)	70%	70%	70%

*For any Mortgage with secondary financing, the maximum TLTV ratio shown above and the maximum LTV ratio shown under "sec. fin." may not be exceeded.

**Secondary financing is not permitted on Balloon/Reset Mortgages.

***These transactions may include streamlined refinance Mortgages. Adjustable-rate Mortgages (ARMs) refinanced with streamlined processing are not eligible for sale to Freddie Mac after September 30, 1991. (See Section 24.2.)

23.5

Maximum financing

Financing to the maximum LTV ratio, as set forth in Section 23.4, is acceptable when property values are stable or increasing.

The lender may not offer maximum financing in any instance in which property values are declining. Maximum financing is defined as an amount that is within 5 percentage points of the maximum LTV ratio allowed for a specific type of Mortgage or program.

23.6

Conversion of construction Mortgages to permanent Mortgages

When permanent financing replaces an interim construction Mortgage or short-term financing within 180 days after completion of construction on a new home, the permanent Mortgage may be considered as either

- A purchase transaction, provided no loan proceeds are disbursed to the Borrower, or
- A refinance transaction

When the transaction is treated as a purchase, the LTV ratio must be computed based on the lesser of

- The appraised value at the time the Mortgage is closed, or
- The purchase price (that is, the current appraised value of the lot plus the documented actual cost to construct the improvements). The Seller's Mortgage file must contain sufficient documentation on which to calculate the purchase price.

When the transaction is treated as a refinance, the LTV ratio must be based on the appraised value at the time the Mortgage is closed. The Mortgage must be treated as a refinance if conversion occurs more than 180 days after property completion.

Form 442

Unless Escrows are established in accordance with the requirements of Section 22.17, all improvements must be completed before delivery of the Mortgage to Freddie Mac. The appraisal must state the estimated market value after completion of the improvements, and if applicable, be supported by an acceptable completion certificate (see Form 442, Satisfactory Completion Certificate, for suggested format).

The original term of the permanent Mortgage must not exceed 30 years. For those cases in which the interim construction Mortgage converts into a permanent Mortgage without refinancing, Freddie Mac considers that the term begins on the date payment of the first monthly installment of principal and interest is due on the Mortgage.

See Section 6.8 for specific requirements pertaining to the use of FNMA/FHLMC Uniform Instruments with construction Mortgages. See Section 23.4 for specific requirements pertaining to maximum LTV and TLTV ratios. See Section 23.8 for specific requirements pertaining to

23.6
Conversion of construction Mortgages to permanent Mortgages (continued)

Form 11
Form 13SF

rehabilitation and energy retrofits. See Section 24.1 for specific requirements pertaining to refinance Mortgages.

Notwithstanding the preprinted instructions on the loan submission forms, Form 11 or Form 13SF, Sellers must identify construction/permanent Mortgages by entering the appropriate code in the "Purpose of Loan" field as follows:

- 1 for purchase (owner-occupied property)
- 2 for refinance (owner-occupied property)
- 4 for purchase or refinance (second home)

23.7

Land contract; contract for deed

A Mortgage in which the proceeds are used to pay the outstanding balance under a land contract or contract for deed may be considered as either:

- A purchase transaction, provided all of the loan proceeds are used to pay the outstanding balance under the contract, and no loan proceeds are disbursed to the Borrower, or
- A refinance transaction

If the transaction is treated as a purchase, the LTV ratio must be computed based on the lower of the following:

- The appraised value at the time the Mortgage is closed, or
- The total acquisition cost (that is, the purchase price indicated in the original land contract or contract for deed, plus any cost the Borrower has expended for rehabilitation, renovation, refurbishment or energy conservation improvements.) The Seller's Mortgage file must contain sufficient documentation on which to calculate the total acquisition cost.

If the transaction is treated as a refinance, the LTV ratio must be computed based on the appraised value at the time the Mortgage is closed.

(See Section 24.1 for requirements applicable to "cash-out" and "no cash-out" refinance Mortgages.)

23.8

Energy conservation and rehabs

A Mortgage may finance the purchase of a property that is to be retrofitted with energy conservation components, rehabilitated, renovated or refurbished. If the Seller considers the cost of such improvements in setting the terms of the Mortgage, the purchase price may be considered the price paid for the Mortgaged Premises by the purchaser plus the actual cost of the improvements. The appraisal must state the estimated market value after completion of the improvements and be supported by a satisfactory completion certificate. (See Form 442 for suggested format.)

(a) **Energy retrofit not completed before Mortgage delivery**
Unless Escrows are established in accordance with the requirements of Section 22.17 or for energy retrofit in accordance with the requirements of this Section 23.8(a), all improvements must be completed before delivery of the Mortgage to Freddie Mac. If the improvements are energy conservation components retrofitted to the Mortgaged Premises and the retrofit has not been completed before delivery of the Mortgage to Freddie Mac, the Seller/Servicer may disburse the funds required for the completion of the improvements into an Escrow account (meeting the requirements of Section 23.8(b)) in the Borrower's name and then deliver the Mortgage to Freddie Mac.

(b) **Seller warranties**
By delivering a Mortgage secured by a property that has an incomplete energy retrofit (as described above), the Seller warrants that the following requirements are met:

1. The improvements will be satisfactorily completed within 120 days after the Delivery Date.
2. An Escrow account in the Borrower's name has been established, and disbursements from that account are controlled by the Seller or the Servicer.
3. The amount of the Escrow account is not less than the funds required to complete the improvements and not more than 10 percent of the original amount of the Mortgage.

23.8 Energy conservation and rehabs (continued)

4. An Escrow agreement exists in the Seller's file which includes a description of the energy work to be completed and a provision stating that, in the event of default or if the improvements are not completed within 120 days after the Delivery Date, the Seller or the Servicer must either close the Escrow account and apply the remaining balance in the Escrow account to curtail the Mortgage if the work on the improvements has not begun, or complete the improvements if the work has begun.
5. Upon completion of the improvements, the Seller or the Servicer will have the property inspected and will retain in the Mortgage file a Form 442 certifying completion of the improvements.

When completing Form 11 or Form 13SF, the Seller should enter the date of Mortgage funding for "Date of Note," not the anticipated date of final disbursement of the Escrow Funds.

Chapter 27

Mortgage Insurance, Late Charges and Prepayment Charges

27.1

Mortgage insurance

MI
LTV

Mortgage insurance issued by a mortgage insurer (MI) that, as of the Delivery Date, is a Freddie Mac-approved MI (see Exhibit 10) is required on each Mortgage Freddie Mac purchases that has a loan-to-value (LTV) ratio of more than 80 percent. The LTV ratio is obtained by dividing the original loan amount by the value, as defined in Section 23.1. The "value" of Mortgaged Premises located in the State of New York, as used in determining the LTV ratio for mortgage insurance purposes, is the appraised value of the Mortgaged Premises on the Origination Date of the Mortgage. (This definition of the "value" of Mortgaged Premises located in the State of New York applies only to mortgage insurance requirements, and is not applicable for any other purpose under the terms of the Purchase Documents.)

Borrower-paid mortgage insurance is acceptable for all Freddie Mac programs and products. Mortgages with lender-paid mortgage insurance may only be delivered on a negotiated basis. The required coverage amounts for mortgage insurance are as follows:

For all Mortgages except 15- and 20-year fixed-rate Mortgages:

LTV ratio*	Mortgage insurance coverage
Greater than 80% up to 85%	12%
Greater than 85% up to 90%	25%
Greater than 90%	30%

* If the mortgage insurance premium is financed see Section 22.7(b) for the LTV calculation.

27.1 Mortgage insurance (continued)

For 15- and 20-year fixed-rate Mortgages:

LTV ratio*	Mortgage insurance coverage
Greater than 80% up to 85%	6%
Greater than 85% up to 90%	12%
Greater than 90%	25%

* If the mortgage insurance premium is financed see Section 22.7(b) for the LTV calculation.

Freddie Mac will not accept any substitute for mortgage insurance. However, if Freddie Mac is purchasing a participation interest of 90 percent or less in a Mortgage with an LTV ratio of more than 80 percent, a mortgage insurance participation policy that insures only Freddie Mac's interest in the Mortgage is acceptable. The dollar amount of required coverage is equal to the product obtained by multiplying (a) the Mortgage amount which is in excess of 75 percent of value by (b) Freddie Mac's participation interest.

The percentage of coverage required is the product obtained by dividing (a) the amount of coverage required by (b) the Mortgage amount. The Seller's retained interest need not be insured.

Required mortgage insurance must be in full force and effect as of the Delivery Date. Mortgage insurance coverage must not be subject to any exclusion besides those exclusions stated in the MI's master policy. Coverage must run to the benefit of Freddie Mac for a whole loan or a participation loan insured under a participation policy, or to the Seller for any other insured participation loan. No action may have been taken, or no action may have failed to be taken, that would impair the rights of Freddie Mac or the Seller. Participation policies with provisions inconsistent with this section or that impose premium payment or reporting requirements on Freddie Mac are not acceptable.

61.4 Automatic cancellation of Borrower-paid mortgage insurance: 1-unit Primary Residences or second homes (continued)

b) For a Mortgage secured by a 1-unit Primary Residence or second home with an Origination Date before July 29, 1999, the requirements for the automatic cancellation of mortgage insurance are optional through December 29, 2000, and mandatory effective January 2, 2001, as follows:

Cancellation point	At the midpoint of the amortization period. (The midpoint occurs halfway through a Mortgage's amortization period. As an example, in the case of a 360-month or 30-year Mortgage with a payment Due Date on the first of each month, we deem the midpoint to be the first day of the 180th month. Assuming that the 180th month is April 2001, and that the Due Date for the April 2001 payment is April 1, and that the payment record conditions below are met, you must have mortgage insurance canceled effective for the 181st month's payment, i.e., the payment whose Due Date is May 1, 2001.)
Payment record	All Principal and Interest and Escrow Payments with Due Dates prior to the midpoint must be paid by the midpoint. (In the example set forth above, all payments of Principal and Interest and Escrow with Due Dates on or before April 1, 2001, must have been paid by April 1, 2001, in order for mortgage insurance to be canceled effective as of May 1, 2001.)

c) Mortgages secured by 2-4 unit Primary Residences or 1-4 unit investment properties, regardless of their Origination Dates, are not eligible for automatic cancellation of mortgage insurance.

61.5

Cancellation of lender-paid mortgage insurance

Lender-paid mortgage insurance is not cancelable but you must provide to the Borrower all related disclosures required by the HPA, if applicable.

61.4 Automatic cancellation of Borrower-paid mortgage insurance: 1-unit Primary Residences or second homes (continued)

b) For a Mortgage secured by a 1-unit Primary Residence or second home with an Origination Date before July 29, 1999, the requirements for the automatic cancellation of mortgage insurance are optional through December 29, 2000, and mandatory effective January 2, 2001, as follows:

Cancellation point	At the midpoint of the amortization period. (The midpoint occurs halfway through a Mortgage's amortization period. As an example, in the case of a 360-month or 30-year Mortgage with a payment Due Date on the first of each month, we deem the midpoint to be the first day of the 180th month. Assuming that the 180th month is April 2001, and that the Due Date for the April 2001 payment is April 1, and that the payment record conditions below are met, you must have mortgage insurance canceled effective for the 181st month's payment, i.e., the payment whose Due Date is May 1, 2001.)
Payment record	All Principal and Interest and Escrow Payments with Due Dates prior to the midpoint must be paid by the midpoint. (In the example set forth above, all payments of Principal and Interest and Escrow with Due Dates on or before April 1, 2001, must have been paid by April 1, 2001, in order for mortgage insurance to be canceled effective as of May 1, 2001.)

c) Mortgages secured by 2-4 unit Primary Residences or 1-4 unit investment properties, regardless of their Origination Dates, are not eligible for automatic cancellation of mortgage insurance.

61.5

Cancellation of lender-paid mortgage insurance

Lender-paid mortgage insurance is not cancelable but you must provide to the Borrower all related disclosures required by the HPA, if applicable.

61.6

FHA Mortgages

FHA insurance must not be canceled while Freddie Mac has an ownership interest in the Mortgage.

61.7

Transfers of mortgage insurance coverage

You must not transfer the mortgage insurance coverage in effect at the time you delivered a Mortgage to us, except if any of the following events occur:

1. Coverage must be replaced in conjunction with a third party's assumption of the Borrower's Mortgage obligations
2. The existing MI does not renew the existing coverage
3. We have terminated the approval status of the existing MI
4. We have instructed you to transfer the coverage

Broker's Price Opinion, *continued*

65.38.1 Checking the status of a BPO request (continued)

3. If the system responds "yes", enter your fax number. The system will automatically fax a copy of the BPO to your fax number.
4. If the system responds "no", contact the vendor for an explanation.

Fax On Demand Phone List	
Absolute Services	(619) 505-3097
Cendant Asset Services	(770) 410-3953
Central Mortgage	(310) 589-1002
Equity Research	(770) 410-3951
Market Intelligence	(800) 877-9802
MGIC	(770) 410-3952
New City Asset Management	(314) 537-4242 (or via the Internet at "www.newcitysys.com")
Westco Realty	(619) 505-3083
Westfall & Company	(303) 657-4849

Broker's Price Opinion, *continued*

65.39

Vendor maintenance and BPO costs

We are responsible for maintaining the relationship with the vendors in our network. The vendor will provide you with a copy of the BPO and bill us directly for the cost. If you have an issue with a vendor, or are not satisfied with the quality of a BPO, notify us 11 and we will take action to resolve the issue.

The cost of the BPO varies depending upon the reason it is ordered.

IF you submit an order to us for a BPO to . . .	THEN we will forward your request to our vendor for the BPO with a(an) . . .	AND the BPO cost is . . .
Recommend a: ■ Long-term forbearance ■ Workout loan modication on a 2-4 unit property ■ Workout Mortgage assumption ■ Short payoff ■ Deed in lieu of foreclosure	interior inspection with interior and exterior photographs	$ 150
Determine value for cancellation of Borrower-paid mortgage insurance	interior inspection with interior and exterior photographs	$150
Recommend a: ■ Workout loan modification on a single family unit ■ Charge off ■ Initiation of foreclosure on a Second Mortgage/HIL	curbside inspection with exterior photographs	$ 100
Prepare bidding instructions for a foreclosure sale	curbside inspection	$ 85
Complete an alternative Balloon Loan Modification	curbside inspection	$ 85
Determine value for a bankruptcy	curbside inspection	$ 85

Exhibit 89

Requesting a BPO by E-mail

You may order a Broker's Price Opinion (BPO) from us relating to a workout, foreclosure, mortgage insurance cancellation or bankruptcy proceeding, by submitting a request to us via e-mail at the following address:

orderbpo@GoldWorks.com

The sample shown below indicates the following:

1. The subject line of the e-mail must include a specific prefix identifying the reason for the BPO request and our 9-digit Mortgage number. The prefix must be followed by a blank space and our Mortgage number, for example: PF 123456789 (12 total spaces). You may include the name of the borrower or some other identification, but it must appear after the required prefix, space and our 9-digit Mortgage number.

   The prefixes are:

Assumption	AS
Balloon/Reset	BL
Bankruptcy	BK
Charge-off	CO
Deed-in-lieu of foreclosure	DL
Forbearance	FB
Foreclosure sale bidding instructions	FC
Modification	MO
Mortgage insurance cancellation	MI
Short-payoff	PF

2. The body of the e-mail must include much of the same information that we require on Form 1127, BPO Request Form. See the next page for an example.

3. Each field of information on Form 1127 should be on a separate line in the e-mail.

When we receive the e-mail BPO request, we will forward it to one of our vendors and enter the e-mail address from which you sent the BPO request so that you receive a copy of our transmission.

SAMPLE E-MAIL REQUEST FOR BPO

TO: orderbpo@GoldWorks.com

SUBJECT: MO 123456789

REQUEST DATE:

FREDDIE MAC LOAN #:

SERVICER LOAN #:

SERVICER NAME:

CONTACT NAME:

PHONE NUMBER:

FAX NUMBER:

BORROWER NAME:

CO-BORROWER NAME (DAY/EVENING):

BORROWER PHONE NUMBER (DAY/EVENING):

SUBJECT PROPERTY ADDRESS (CITY/STATE/ZIP):

PROPERTY TYPE (SF DETACHED, CONDO, TH, 2-3-4 UNIT):

INTERIOR OR EXTERIOR BPO?:

CONTACT BORROWER AT HOME ?: (YES/NO)

LISTING COMPANY NAME & PHONE:

LISTING AGENT NAME & PHONE:

FORECLOSURE SALE DATE:

REASON FOR BPO:

27.1 Mortgage insurance (continued)

The insurance must remain in force until canceled in accordance with the requirements of Sections 61.2 – 61.4 or pursuant to applicable law. The Seller warrants that the Borrower has been given all disclosures required by law, including, but not limited to, the Homeowners Protection Act of 1998 (HPA), relating to the terms on which Borrower-paid mortgage insurance may be canceled.

Mortgage insurance coverage must continue to be carried with the MI that insured the Mortgage when it was delivered to Freddie Mac, except as provided for in Section 61.7.

27.2

Commissions, fees or other compensation on insurance

The Seller warrants that in connection with the placement or renewal of any mortgage insurance, including insurance on any other Mortgages it owns, to the Seller's knowledge, the insurer (including its parent company or any affiliate thereof) has not caused or permitted any consideration or thing of value (other than the protection provided by its mortgage insurance) to be paid to or received by any of the following:

- The Mortgage lender
- Any officer, director or employee of the lender or any member of their immediate families
- Any insurance agency, corporation (other than the insurer), partnership, trust or other business entity (including any service corporation, whether organized for profit or otherwise) in which the lender or any of its officers, directors, employees or their immediate family members have financial interest or
- Any designee, trustee, nominee or other agent or representative of any of the foregoing

This requirement applies to any commission, fee or other compensation on all mortgage insurance presently in force or to be placed in the future.

27.3

Late charges

The FNMA/FHLMC Uniform Single Family Note provides blanks for inserting the amounts of late charges and the grace period after which such charges are assessable. Any amount and period stated must be permissible under applicable law.

For Home Mortgages purchased by Freddie Mac, the Seller agrees to collect late charges only on monthly installments more than 15 days late. If the 15-day period ends on a weekend or holiday, it is extended to the next Business Day. The Seller also agrees not to collect late charges of more than 5 percent of the late principal and interest payment. The Seller may retain any late charge collected as additional Servicing compensation.

If the late charge stated in the Note is more than 5 percent of the principal and interest payment and/or is to be assessed on a monthly installment late 15 days or less, the Seller agrees to notify the Borrower in writing of Freddie Mac's late charge and grace period requirements and to retain a copy of the written notification in the Mortgage file for each Mortgage purchased by Freddie Mac.

27.4

Prepayment charges

For Home Mortgages purchased by Freddie Mac after December 31, 1979, no prepayment charge may be charged or collected.

For Home Mortgages purchased by Freddie Mac on or before December 31, 1979, any prepayment charge allowed under the terms of the Note must be collected and Freddie Mac's proportionate share of such charge must be reported and remitted to Freddie Mac in accordance with Sections 78.14 and 79.19(a). This charge must not exceed the maximum percentage permitted under the Freddie Mac Purchase Documents in effect on the date of the Seller's offer. As an exception, the Seller may have agreed to waive the charge on any Mortgage closed after August 31, 1979, but purchased before January 1, 1980, if the Borrower was notified in writing before the sale of the Mortgage to Freddie Mac.

61.1 Mortgage insurance warranties (continued)

America's Community Bankers
900 19th Street, NW, Suite 400
Washington, DC 20006
(202) 857-3119

61.2

Borrower-requested cancellation of Borrower-paid mortgage insurance: 1-unit Primary Residences or second homes

You must cancel mortgage insurance when the Borrower and the Mortgage meet the requirements of this section. Refer to Section 22.22 for the definition of second homes.

Some of the requirements below, as they apply to 1-unit Primary Residence Mortgages originated on or after July 29, 1999, are derived from the Homeowners Protection Act of 1998 (HPA). (See Section 61.1 for additional information about the HPA.)

a) Cancellation point

Based on Original Value	Based on Current Value
The LTV ratio must be 80% or less based on the original value as defined in Section 23.1.	The LTV ratio must be: ■ 80% or less, if 5 years or more have elapsed since the Origination Date of the Mortgage, or ■ 75% or less if 2 or more years, but less than 5 years have elapsed since the Origination Date of the Mortgage The minimum seasoning requirement does not apply if the increase in the estimated market value of the Mortgaged Premises is attributed to property improvements made after the Origination Date of the Mortgage. Such improvements must conform to local zoning and building codes and be certified by the broker or the appraiser as to both their value as made and the value they add to the Mortgaged Premises.

61.2

Borrower-requested cancellation of Borrower-paid mortgage insurance: 1-unit Primary Residences or second homes (continued)

b) Evidence of value

Based on Original Value	Based on Current Value
You must warrant that the value of the Mortgaged Premises, at a minimum, supports the LTV ratio required to cancel mortgage insurance. Alternatively, you must verify the current value by one of the following methods: ■ A current BPO you order from our vendor network at the Borrower's expense. (If you have an interior BPO ordered through our vendor network that is dated no more than 120 days before the date of the Borrower's request to cancel mortgage insurance, you do not need to order another BPO. Refer to Section 65.38 for details regarding our process to order a BPO for any purpose.) or ■ A current appraisal you order at the Borrower's expense. The appraisal must comply with the requirements of Chapter 44 and be performed within 60 days of the date on which you receive the Borrower's request to cancel mortgage insurance.	You must verify the current value by one of the following methods: ■ A current BPO you order from our vendor network at the Borrower's expense. (If you have an interior BPO ordered through our vendor network that is dated no more than 120 days before the date of the Borrower's request to cancel mortgage insurance, you do not need to order another BPO. Refer to Section 65.38 for details regarding our process to order a BPO for any purpose.) or ■ A current appraisal you order at the Borrower's expense. The appraisal must comply with the requirements of Chapter 44 and be performed within 60 days of the date on which you receive the Borrower's request to cancel mortgage insurance.

c) Payment history

Based on Original Value	Based on Current Value
The Borrower's payment history must, as it applies to the age of the Mortgage, show: ■ No payment 30 days or more past due in the last 12 months, and ■ No payment 60 days or more past due in the last 24 months	The Borrower's payment history must, as it applies to the age of the Mortgage, show: ■ No payment 30 days or more past due in the last 12 months, and ■ No payment 60 days or more past due in the last 24 months

61.2
Borrower-requested cancellation of Borrower-paid mortgage insurance: 1-unit Primary Residences or second homes (continued)

d) **Other conditions**

Based on Original Value	Based on Current Value
■ No minimum seasoning of a Mortgage required ■ Except as may otherwise be provided in a Purchase Contract entered into between Freddie Mac and a Seller, you must not request or require that a Borrower, upon requesting cancellation of mortgage insurance, make a written certification or any other representation concerning the existence or nonexistence of a Second Mortgage or other subordinate lien on the Mortgaged Premises. If a Purchase Contract contains a condition relating to such a written certification or representation by a Borrower, the Seller and the Servicer of the Borrower's Mortgage must provide to the Borrower all disclosures required by law with respect to the condition set forth in the Purchase Contract.	■ There must be no other default under the Security Instrument in the last 12 months ■ Except as may otherwise be provided in a Purchase Contract entered into between Freddie Mac and a Seller, you must not request or require that a Borrower, upon requesting cancellation of mortgage insurance, make a written certification or any other representation concerning the existence or nonexistence of a Second Mortgage or other subordinate lien on the Mortgaged Premises. If a Purchase Contract contains a condition relating to such a written certification or representation by a Borrower, the Seller and the Servicer of the Borrower's Mortgage must provide to the Borrower all disclosures required by law with respect to the condition set forth in the Purchase Contract.

61.3

Borrower-requested cancellation of Borrower-paid mortgage insurance: 2-4 unit Primary Residences or 1-unit investment properties

You must cancel mortgage insurance when the Borrower and the Mortgage meet the requirements of this section.

a) **Cancellation point**

Based on Original Value	Based on Current Value
The LTV ratio must be 65% or less based on the original value as defined in Section 23.1.	The LTV ratio must be 65% or less based on the current value.

61.3 Borrower-requested cancellation of Borrower-paid mortgage insurance: 2-4 unit Primary Residences and 1-unit investment properties (continued)

b) Evidence of value

Based on Original Value	Based on Current Value
You must warrant that the value of the Mortgaged Premises, at a minimum, supports the LTV ratio required to cancel mortgage insurance. Alternatively, you must verify the current value by one of the following methods: ■ A current BPO you order from our vendor network at the Borrower's expense. (If you have an interior BPO ordered through our vendor network that is dated no more than 120 days before the date of the Borrower's request to cancel mortgage insurance, you do not need to order another BPO. Refer to Section 65.38 for details regarding our process to order a BPO for any purpose.) or ■ A current appraisal you order at the Borrower's expense. The appraisal must comply with the requirements of Chapter 44 and be performed within 60 days of the date on which you receive the Borrower's request to cancel mortgage insurance.	You must verify the current value by one of the following methods: ■ A current BPO you order from our vendor network at the Borrower's expense. (If you have an interior BPO ordered through our vendor network that is dated no more than 120 days from the date of the Borrower's request to cancel mortgage insurance, you do not need to order another BPO. Refer to Section 65.38 for details regarding our process to order a BPO for any purpose.) or ■ A current appraisal you order at the Borrower's expense. The appraisal must comply with the requirements of Chapter 44 and be performed within 60 days of the date on which you receive the Borrower's request to cancel mortgage insurance.

c) Payment history

Based on Original Value	Based on Current Value
The Borrower's payment history must, as it applies to the age of the Mortgage, show: ■ No payment 30 days or more past due in the last 12 months, and ■ No payment 60 days or more past due in the last 24 months	The Borrower's payment history must, as it applies to the age of the Mortgage, show: ■ No payment 30 days or more past due in the last 12 months, and ■ No payment 60 days or more past due in the last 24 months

61.3

Borrower-requested cancellation of Borrower-paid mortgage insurance: 2-4 unit Primary Residences and 1-unit investment properties (continued)

d) Other conditions

Based on Original Value	Based on Current Value
■ No minimum seasoning of a Mortgage required ■ There must be no other default under the Security Instrument in the last 12 months ■ Except as may otherwise be provided in a Purchase Contract entered into between Freddie Mac and a Seller, you must not request or require that a Borrower, upon requesting cancellation of mortgage insurance, make a written certification or any other representation concerning the existence or nonexistence of a Second Mortgage or other subordinate lien on the Mortgaged Premises. If a Purchase Contract contains a condition relating to such a written certification or representation by a Borrower, the Seller and the Servicer of the Borrower's Mortgage must provide to the Borrower all disclosures required by law with respect to the condition set forth in the Purchase Contract.	■ At least 2 years must have elapsed since the Origination Date of the Mortgage. The minimum seasoning requirement does not apply if the increase in the estimated market value of the Mortgaged Premises is attributed to property improvements made after the Origination Date of the Mortgage. Such improvements must conform to local zoning and building codes and be certified by the broker or the appraiser as to both their value as made and the value they add to the Mortgaged Premises. ■ There must be no other default under the Security Instrument in the last 12 months ■ Except as may otherwise be provided in a Purchase Contract entered into between Freddie Mac and a Seller, you must not request or require that a Borrower, upon requesting cancellation of mortgage insurance, make a written certification or any other representation concerning the existence or nonexistence of a Second Mortgage or other subordinate lien on the Mortgaged Premises. If a Purchase Contract contains a condition relating to such a written certification or representation by a Borrower, the Seller and the Servicer of the Borrower's Mortgage must provide to the Borrower all disclosures required by law with respect to the condition set forth in the Purchase Contract.

61.4

Automatic cancellation of Borrower-paid mortgage insurance: 1-unit Primary Residences or second homes

Some of the requirements below, as they apply to 1-unit Primary Residence Mortgages originated on or after July 29, 1999, are derived from the Homeowners Protection Act of 1998 (HPA). (See Section 61.1 for additional information about the HPA.)

a) For a Mortgage secured by a 1-unit Primary Residence or second home with an Origination Date on or after July 29, 1999, the requirements for the automatic cancellation of mortgage insurance are as follows:

Cancellation point	Whichever occurs first: 1) When the LTV ratio is reduced to 78% based on the original value as defined in Section 23.1, or 2) At the midpoint of the amortization period. (The midpoint occurs halfway through a Mortgage's amortization period. As an example, in the case of a 360-month or 30-year Mortgage with a payment Due Date on the first of each month, we deem the midpoint to be the first day of the 180th month. Assuming that the 180th month is April 2001, and that the Due Date for the April 2001 payment is April 1, and that the payment record conditions below are met, you must have mortgage insurance canceled effective for the 181st month's payment, i.e., the payment whose Due Date is May 1, 2001.)
Payment record	All Principal and Interest and Escrow Payments with Due Dates prior to the midpoint must be paid by the midpoint. (In the example set forth above, all payments of Principal and Interest and Escrow with Due Dates on or before April 1, 2001, must have been paid by April 1, 2001, in order for mortgage insurance to be canceled effective as of May 1, 2001.)