

22.32: Predatory lending practices (04/23/09) FHLMC

Freddie Mac actively opposes predatory lending and has implemented a number of policies designed to combat it. Freddie Mac-approved Seller/Servicers should have policies designed to identify and avoid predatory lending practices.

To further implement certain Freddie Mac anti-predatory lending policies, when selling a Mortgage to Freddie Mac, a Seller represents and warrants that:

- For Mortgages secured by a Primary Residence, points and fees charged in connection with the Mortgage sold to Freddie Mac do not exceed 5% of the original loan amount. For loans with a balance not exceeding \$20,000, a maximum of \$1,000 may be used in lieu of the 5% limitation. For purposes of this representation and warranty, points and fees include:
 - Origination fees
 - Underwriting fees
 - Broker fees
 - Finder's fees
 - Charges that a Seller imposes as a condition of making the loan, whether they are paid to the Seller or to a third party

For purposes of this representation and warranty, points and fees do not include:

- Bona fide discount points
- Fees paid for actual services rendered in connection with the Mortgage origination, such as attorney's fees, notary's fees, and fees paid for property appraisals, credit reports, surveys, title examinations and extracts, flood and tax certifications and home inspections
- The cost of mortgage insurance or credit-risk price adjustments
- The costs of title, property and flood insurance policies
- State and local transfer fees and taxes
- Escrow deposits for the future payment of taxes and insurance premiums, and
- Miscellaneous fees and charges that, in total, do not exceed one-quarter of 1% (0.25%) of the loan amount

In addition to the foregoing and in accordance with Guide requirements, for all Mortgages sold to Freddie Mac, Sellers must represent and warrant compliance with the requirements of Sections [6.2](#), [22.18.1](#), [22.28](#) and [22.34](#).

- For all Prepayment Penalty Mortgages eligible for sale to Freddie Mac, the Seller must represent and warrant compliance with the requirements of [Section B33.4.1](#)
- No Borrower who qualified for a lower-cost loan product has been "steered" to a higher-cost loan product. A Seller should offer or direct applicants who seek financing through the Seller's higher-priced subprime or non-prime lending channel toward its standard Mortgage line if the applicants qualify for one of the standard products.

For additional information regarding Freddie Mac anti-predatory lending requirements, see the following locations:

Topic	Location
Compliance With Applicable Law	Section 6.2
Anti-Predatory Lending Laws and Regulations	Sections 22.18.1
Credit Insurance — Single-Premium Credit Insurance	Section 22.31
Home Ownership and Equity Protection Act of 1994 (HOEPA)/Purchase Transaction Mortgages	Section 22.33
Mandatory Arbitration	Section 22.34
General Requirements for All Refinance Mortgages — Mortgages Subject to the HOEPA are Ineligible for Purchase	Section 24.2
General Requirements for Prepayment Penalty Mortgages	Chapter B33
Underwriting the Borrower	Chapter 37
Credit Reporting Requirements	Section 55.4