

Number: 90-1

**SUBJECT: EQUAL™ mortgage origination, property insurer ratings,  
and field review appraisal form**

TO: All Freddie Mac Sellers and Servicers

January 2, 1990

We are pleased to announce several enhancements to the requirements and guidelines given in our Sellers' and Servicers' Guide, specifically relating to

- the origination requirements for our EQUAL mortgage program
- a newly approved rating firm for 1-4 unit property insurers
- an optional field review form for 1-4 unit property appraisals

#### EQUAL mortgage origination requirements

As a result of the changes to buydown plan requirements announced in bulletin #89-14 (dated September 1, 1989), we have revised the EQUAL Buydown Agreement. These revisions eliminate the need for the additional EQUAL buydown rider language found in the special program chapter of volume 2 of the guide (page 313). Two camera-ready copies of the revised EQUAL Buydown Agreement (dated 10/89) are enclosed with this bulletin for your use in printing your own supply.

The revised EQUAL Buydown Agreement may be used immediately for newly originated EQUAL mortgages. When using the existing EQUAL Buydown Agreement (dated 5/85), you must continue to attach the above-referenced rider. Use of the revised EQUAL Buydown Agreement will be mandatory for all EQUAL mortgages originated with buydown accounts on and after January 29, 1990.

EQUAL™ is a trademark of General Electric Mortgage Securities Corporation.

#### Newly approved rating firm for 1-4 unit property insurers

Effective immediately, Freddie Mac will accept hazard insurance on 1-4 unit properties provided by insurers that have been rated A or better by DEMOTECH, INC. Sections 1801(c) and 6404(c) of the guide are amended by this bulletin to add this rating to the list of acceptable insurer rating options.

DEMOTECH, INC., is a rating service that evaluates insurance companies. Because an insurance company's volume of business is not a prerequisite for a DEMOTECH rating, our decision to accept DEMOTECH ratings will enable small, but well managed and financially viable, companies to become eligible to insure 1-4 unit properties securing Freddie Mac mortgages.

Seller/Serviceicers interested in knowing more about DEMOTECH, INC., may contact the company at the following address:

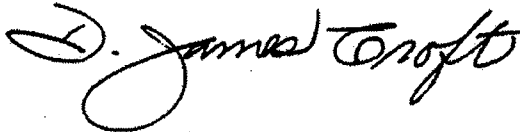
DEMOTECH, INC.  
2941 Donnylane Boulevard  
Columbus, Ohio 43235-1764  
(614) 761-8602

Optional field review form for 1-4 unit property appraisals

Through a joint effort, Freddie Mac and Fannie Mae have designed Form 1032, Residential Appraisal Field Review Report, for the review appraisals of 1-4 unit properties. Use of the form is not required. However, the form will assist you underwriting and quality control processes, facilitate your determination of whether an appraisal accurately estimates market value, and help you conduct the quality control review of appraisals required in section 2527(d) of the guide. Exhibit A of the bulletin shows Form 1032. If your staff would like to use this form, please contact your Freddie Mac regional office to obtain two camera-ready copies for printing your own supply.

The changes announced in this bulletin will be incorporated into the guide in the next update. If you have any questions about these enhancements, please contact you Freddie Mac regional office.

Cordially,

A handwritten signature in cursive script that reads "D. James Croft". The signature is written in black ink and is positioned above the typed name and title.

D. James Croft  
Executive Vice President  
Risk and Property Management