



**Bulletin 2022-14**

# **Equifax® Inc. Coding Issue**

Issued 06/24/2022

**TO: Freddie Mac Sellers**

**SUBJECT: EQUIFAX® INC. CODING ISSUE**

On June 2, 2022, we issued an Industry Letter related to the coding error affecting Credit Scores and credit data in approximately 12% of credit reports issued by Equifax from March 17 to April 6, 2022. We have been informed that Equifax is providing their customers (resellers and in some cases lenders) with corrected Credit Scores (sometimes referred to as a simulated score) for those reports that were impacted by the coding error. As the Equifax coding issue continues to evolve, we have been working jointly with Fannie Mae under the guidance of the FHFA to assess the impact of the incident on Mortgages originated for sale to Freddie Mac and Fannie Mae.

This Guide Bulletin provides requirements for Mortgages impacted by the Equifax coding error.

## **EFFECTIVE DATES**

The requirements below are effective immediately and apply to conventional Mortgages with credit reports containing the Equifax Credit Score pulled on or after March 17, 2022 and on or before April 6, 2022.

## **REQUIREMENTS FOR IMPACTED MORTGAGES**

### **Credit underwriting**

Each Seller is responsible for working with their credit vendors to identify Mortgages impacted by the Equifax coding error. For Loan Product Advisor® and Manually Underwritten Mortgages with Credit Scores impacted by the Equifax coding error:

- The Seller is not required to update the credit report and re-underwrite the Mortgage either manually or by resubmitting it through Loan Product Advisor, as applicable, provided there are no other conditions that would require an updated credit report, re-underwriting or resubmission under the Guide
- The inaccurate Credit Score (resulting from the Equifax coding error) used in the underwriting of the Mortgage does not render the Mortgage ineligible for sale to Freddie Mac
- Freddie Mac will not issue a repurchase based solely on the inaccurate Credit Score used in the underwriting of the Mortgage

### **Representation and warranty relief**

Accept Mortgages impacted by the coding error will be considered eligible for representation and warranty relief for Borrower creditworthiness under [Guide Section 5101.8](#) despite the change in the Credit Score, provided all other requirements of [Section 5101.8](#) are met.

In addition, notwithstanding the requirements of [Section 1301.11\(c\)](#) for life-of-loan representations and warranties, the Seller/Service will not lose the relief from Freddie Mac's enforcement of its representations and warranties in connection with the change in the Credit Score due to the Equifax coding error.

### **Data correction requirements for impacted Mortgages**

The following table provides the requirements for Freddie Mac data corrections.

Requirements	Non-Loan Product Advisor Mortgages Recalculated Indicator Score <sup>1</sup>	Loan Product Advisor Mortgages Recalculated Indicator Score
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Requirements	Non-Loan Product Advisor Mortgages Recalculated Indicator Score <sup>1</sup>	Loan Product Advisor Mortgages Recalculated Indicator Score
<p><b>Obtaining corrected Credit Scores</b></p>	<p>Sellers must obtain and use the new, corrected Credit Score received from Equifax to establish an accurate Indicator Score for the Mortgage (recalculated Indicator Score).</p> <p>If the recalculated Indicator Score has changed based on the corrected Credit Score from Equifax, Sellers must provide the original credit report and reasonably reliable third-party documentation (e.g., e-mail and supporting documentation from Equifax) showing the corrected Credit Score.</p>	<p>Freddie Mac will obtain the corrected Credit Score from Equifax after the Settlement Date and recalculate the Indicator Score on behalf of the Seller. Freddie Mac will recalculate the Indicator Score using the method described in <a href="#">Section 5203.2(e)(i)</a>, as the middle/lower and then lowest method.</p>
<p><b>Data corrections for Mortgages not yet sold to Freddie Mac</b></p>	<ul style="list-style-type: none"> <li>▪ If the recalculated Indicator Score meets the minimum requirements for the Mortgage, the Seller must either deliver the recalculated Indicator Score at the time the Mortgage is sold to Freddie Mac or deliver the recalculated Indicator Score using the <b>Post-Fund Data Correction</b> process. The Credit Fees will be recalculated in accordance with <a href="#">Section 6303.3(b)</a>.</li> <li>▪ If the recalculated Indicator Score does not meet the minimum requirements for the Mortgage, the Seller must deliver the Indicator Score used at the time of underwriting and deliver the recalculated Indicator Score using the Post-Fund Data Correction process. The Credit Fees will be recalculated in accordance with <a href="#">Section 6303.3(b)</a>. Sellers must complete these data corrections on or before March 31, 2023. The Seller must not update the Indicator Score within Loan Selling Advisor®.</li> </ul>	<p>The Seller must deliver the Indicator Score used at the time of underwriting, not the recalculated Indicator Score.</p> <p>The Seller must not update the Indicator Score within Loan Selling Advisor.</p> <p>After sale of the Mortgages to Freddie Mac, Freddie Mac will obtain corrected Credit Scores, recalculate Indicator Scores, charge applicable Credit Fees, and notify Sellers of the changes as described in this column of the row below.</p>

Requirements	Non-Loan Product Advisor Mortgages Recalculated Indicator Score <sup>1</sup>	Loan Product Advisor Mortgages Recalculated Indicator Score
<p><b>Data corrections for Mortgages already sold to Freddie Mac</b></p>	<p>Sellers must deliver the recalculated Indicator Score using the <b><u>Post-Fund Data Correction</u></b> process to update the <i>loan level credit score</i> field impacted by the coding error.</p> <p>The Credit Fees will be recalculated in accordance with <b><u>Section 6303.3(b)</u></b>.</p> <p>Sellers must complete these data corrections on or before March 31, 2023.</p>	<p>If the recalculated Indicator Score has changed based on the corrected Credit Score from Equifax, Freddie Mac will provide Sellers with a report that notifies Sellers of the corrected Credit Score, the recalculated Indicator Score and instructions regarding potential discrepancies.</p> <p>Forty-five days after Seller notification, Freddie Mac will perform the data correction process to the Indicator Score. The applicable Credit Fees will be recalculated in accordance with <b><u>Section 6303.3(b)</u></b> and, if applicable, will be billed in accordance with <b><u>Section 6303.1</u></b>.</p>

<sup>1</sup> **Indicator Score:** The related ULDD Data Point name is Loan Level Credit Score Value. For Mortgages delivered with a ULDD Data Point for Automated Underwriting System Type Valid Value of "Desktop Underwriter," the Indicator Score is the representative Credit Score.

## CONTINUED COLLABORATION WITH EQUIFAX

We will continue to monitor the situation and work with Equifax to obtain more information on impacted Mortgages sold to Freddie Mac.

## GUIDE UPDATES

The Guide will not be updated to reflect the requirements of this Bulletin.

## 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