

# Chapter 4504: HeritageOne® Mortgages

## 4504.1: Purchase of HeritageOne® Mortgages (03/05/25)

Mortgages secured by properties located in Tribal Areas and made to Borrowers who are enrolled members of Native American Tribes that meet the requirements of this chapter and the Seller's other Purchase Documents are eligible for sale to Freddie Mac as HeritageOne® Mortgages.

## 4504.2: Overview of HeritageOne® Mortgages (03/05/25)

This section contains information related to:

- [Approved Sellers of HeritageOne® Mortgages](#)
- [Negotiated underwriting provisions](#)
- [Defined terms](#)
- [Eligible property](#)
- [First Lien priority](#)
- [Assumable Mortgages](#)
- [Special delivery requirements](#)
- [Special Servicing requirements](#)

### (a) Approved Sellers of HeritageOne Mortgages

The Seller must obtain Freddie Mac's written approval to sell HeritageOne Mortgages to Freddie Mac by contacting its Freddie Mac representative or Customer Service at 800-FREDDIE.

### (b) Negotiated underwriting provisions

Unless specifically made applicable to HeritageOne Mortgages, negotiated underwriting provisions in the Seller's Purchase Documents do not apply to HeritageOne Mortgages and cannot be used with HeritageOne Mortgages.

### (c) Defined terms

As used in this chapter, the following terms have the meanings ascribed to them below:

Defined terms for HeritageOne Mortgages	
<b>B</b>	
BIA	U.S. Department of the Interior Bureau of Indian Affairs.
<b>E</b>	
Eligible Native American Tribe	<p>A Native American Tribe that either:</p> <ul style="list-style-type: none"><li>■ Is listed as a participating tribe in HUD’s most recent Section 184 Participating Tribes List; or</li><li>■ Has entered into a memorandum of understanding with Freddie Mac that, to the Seller’s knowledge, is and will remain in full force and effect</li></ul> <p>A list of Eligible Native American Tribes is available on <a href="#">Freddie Mac’s website</a>.</p>
<b>N</b>	
Native American Tribe	A federally recognized Indian tribe of the United States that is included in the BIA’s most recent publication of the notice titled “Indian Entities Recognized by and Eligible To Receive Services From the United States Bureau of Indian Affairs”. “Native American Tribe” includes any housing authority, utility, corporation, partnership or other entity that is partially or wholly owned by the Native American Tribe.
<b>T</b>	
Tribal Area	A census tract, or any portion thereof, that is designated as both a HUD Indian Housing Block Grant (IHBG) Area and a rural area under FHFA’s Duty to Serve Regulation and is identified as an “Indian area” in the current version of the FHFA’s Indian Areas File.

### (d) Eligible property

The Mortgaged Premises must be located in the Tribal Area of an Eligible Native American Tribe.

Mortgages must be secured by 1- to 4-unit Primary Residences, which may include:

- Manufactured Homes, including Manufactured Homes that are CHOICEHomes®
- Condominium Units
- Units located in Planned Unit Developments (PUDs)
- Properties with ADUs

**(e) First Lien priority**

The Seller must comply with all statutory and regulatory requirements and obtain all approvals and signatures necessary to establish and maintain a valid First Lien on the Mortgaged Premises.

The Security Instrument must be signed by all individuals or entities with an ownership interest in the Mortgaged Premises. See Section 4101.6 for additional information on signatures required for the Security Instrument.

If necessary to establish or maintain the First Lien, the Seller must:

- Obtain any necessary approvals or signatures from the U.S. Secretary of the Interior or the BIA, as applicable; and
- Record the Security Instrument and all other Mortgage documents required to be recorded in the appropriate jurisdiction

Even if not necessary to establish or maintain the First Lien, it is recommended that the Security Instrument and all other Mortgage documents required to be recorded also be recorded in the locality in which the Mortgaged Premises is located.

**(f) Assumable Mortgages**

Mortgages sold under the Guarantor program that meet the requirements of Section 4101.9(c) and this chapter may be assumable Mortgages, if permitted under the Seller's Purchase Documents.

**(g) Special delivery requirements**

See Section 6302.50 for special delivery requirements for HeritageOne Mortgages.

**(h) Special Servicing requirements**

See Section 8406.4 and Chapter 8901 for special Servicing requirements for HeritageOne Mortgages, including requirements for post-closing Borrower counseling, Transfers of Servicing and Transfers of Ownership.

## 4504.3: Eligible Borrowers for HeritageOne® Mortgages (03/05/25)

This section contains requirements related to:

- [Eligible Borrowers](#)
- [Borrower income](#)
- [Occupancy](#)
- [Ownership of other property](#)

### (a) Eligible Borrowers

At least one Borrower must:

- Be an enrolled member of a Native American Tribe, which may be a Native American Tribe other than the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises is located; and
- Occupy the Mortgaged Premises as their Primary Residence

Note: The Borrower cannot be a Native American Tribe.

### (b) Borrower income

Borrowers are not subject to maximum income limits.

### (c) Occupancy

The following occupancy requirements apply to HeritageOne® Mortgages:

- For 1-unit properties, including Manufactured Homes, non-occupying Borrowers are permitted. Funds used to qualify for the Mortgage transaction may come from the occupying and/or non-occupying Borrower.
- For 2- to 4-unit properties, all Borrowers must occupy the Mortgaged Premises as their Primary Residence

### (d) Ownership of other property

As of the Note Date or, for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing, occupying Borrowers must not have an ownership interest in more than two financed residential properties, including the subject property.

## 4504.4: Ineligible HeritageOne® Mortgages (03/05/25)

Mortgages with the following characteristics are not eligible for sale to Freddie Mac as HeritageOne® Mortgages:

- ARMs
- Cash-out refinance Mortgages
- Community Land Trust Mortgages
- Cooperative Share Loans
- Financed Permanent Buydown Mortgages
- Freddie Mac Enhanced Relief Refinance® Mortgages
- Government Mortgages
- HomeOne® Mortgages
- Home Possible® Mortgages
- Manually Underwritten Mortgages for which none of the Borrowers has a usable Credit Score
- Mortgages secured by Investment Properties
- Mortgages secured by properties on Hawaiian Home Lands
- Mortgages secured by second homes
- Mortgages with associated Home Equity Lines of Credit (HELOCs)
- Mortgages with capitalized balances (as described in Chapter 4403)
- Mortgages with RHS Leveraged Seconds
- Refi Possible® Mortgages
- Seller-Owned Converted Mortgages
- Seller-Owned Modified Mortgages
- Super conforming Mortgages (as described in Chapter 4603)

- Texas Equity Section 50(a)(6) Mortgages

## **4504.5: General eligibility requirements for HeritageOne® Mortgages (06/04/25)**

This section contains requirements related to:

- [Loan limits](#)
- [Mortgage purpose](#)
- [Temporary subsidy buydown plans](#)
- [Secondary financing](#)
- [Rental income](#)
- [Homebuyer education](#)
- [Landlord education for 2- to 4-unit properties](#)
- [Resale restrictions](#)
- [Right of first refusal](#)

The following general eligibility requirements apply to HeritageOne® Mortgages:

### **(a) Loan limits**

The loan amount may not exceed the applicable maximum original loan amount specified in Section 4203.1(c).

### **(b) Mortgage purpose**

The Mortgage must be either a purchase transaction Mortgage or a “no cash-out” refinance Mortgage.

### **(c) Temporary subsidy buydown plans**

Temporary subsidy buydown plans described in Section 4204.3 are permitted if the Mortgage is:

- Secured by a 1-unit property; or

- An Accept Mortgage secured by a 2-unit property

#### **(d) Secondary financing**

The following are permitted secondary financing arrangements:

- Secondary financing that meets the requirements of Section 4204.1
- Affordable Seconds<sup>®</sup> that meet the requirements of Section 4204.2, except that:
  - ❑ For Affordable Seconds provided by an Agency, although Section 4204.2(a)(i)(A) provides otherwise, the Agency may be affiliated with, under contract to or financed (directly or indirectly) by the Seller as the originating lender
  - ❑ For Seller-funded Affordable Seconds, although Section 4204.2(a)(i)(B) provides otherwise, the First Lien Mortgage cannot be a Home Possible<sup>®</sup> Mortgage and may be a HeritageOne Mortgage
  - ❑ For Mortgages secured by Manufactured Homes and originated with Affordable Seconds, although Section 5703.5(c) provides otherwise, the Mortgage cannot be a Home Possible Mortgage and may be a HeritageOne Mortgage

For a Mortgage with a temporary subsidy buydown plan, any secondary financing must have a fixed interest rate.

#### **(e) Rental income**

When determining the stable monthly income (as described in Section 5301.1), rental income may be considered if generated from:

- A subject 1-unit property, with or without an ADU, if the rental income requirements in Section 4501.6(a) or 5306.1(h) are met
- An ADU on a subject 1-unit property, if the rental income requirements in Section 5306.1(g) are met
- A subject 2- to 4-unit property, if the rental income requirements in Section 5306.1(e) are met and excluding any rental income generated from an ADU
- A non-subject investment property, if the rental income requirements in Section 5306.1(c) are met

#### **(f) Homebuyer education**

For purchase transaction Mortgages where all occupying Borrowers are First-Time Homebuyers:

- At least one occupying Borrower must complete a homeownership education program before the Note Date or, for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing; and
- As referenced in Section 5103.6(b), homeownership education may be provided by a Native community development financial institution (CDFI), even if the Native CDFI is the originating lender and/or the Seller

Note: See Section 5103.6 for other requirements related to homeownership education.

**(g) Landlord education for 2- to 4-unit properties**

For purchase transaction Mortgages, at least one qualifying Borrower must:

- Complete a landlord education program before the Note Date or, for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing; or
- Have at least one year of previous landlord experience

For “no cash-out” refinance Mortgages, landlord education is not required but is recommended for Borrowers who have not previously completed a landlord education program.

Landlord education may not be provided by an interested party to the Mortgage transaction, except for a Native CDFI. A Native CDFI may provide landlord education even if the Native CDFI is the originating lender and/or the Seller.

**(h) Resale restrictions**

The Mortgaged Premises may be subject to resale restrictions if the requirements of Chapter 4406 are met.

**(i) Right of first refusal**

Any right of first refusal must run to:

- The Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises is located; and
- Any lessor other than the Eligible Native American Tribe (if applicable)

When the Mortgage is subject to foreclosure proceedings and/or an approved short sale, the right of first refusal may not continue beyond 120 days after the date of written notice that the Mortgaged Premises is being offered for sale.



Any right of first refusal may not adversely impact the rights of Freddie Mac or the Seller/Servicer to foreclose or acquire title to the Mortgaged Premises, accept a deed or assignment in lieu of foreclosure or transfer title to or lease the Mortgaged Premises, if acquired.

## **4504.6: Underwriting requirements, qualifying ratios and maximum loan-to-value (LTV)/total LTV (TLTV) ratios for HeritageOne® Mortgages (03/05/25)**

This section contains requirements related to:

- [Underwriting](#)
- [Qualifying ratios](#)
- [Maximum loan-to-value \(LTV\)/total LTV \(TLTV\) ratios](#)

### **(a) Underwriting**

The Mortgage must be an Accept Mortgage or a Manually Underwritten Mortgage. Mortgages secured by 2- to 4-unit properties must be Accept Mortgages.

For Manually Underwritten Mortgages:

- Each Borrower individually, and all Borrowers collectively, must have an acceptable credit reputation (as described in Topics 5100 and 5200 for Manually Underwritten Mortgages)
- An individual Borrower with insufficient credit history for whom the Seller cannot document a credit reputation is considered to have an acceptable credit reputation if:
  - ❑ No evidence of derogatory credit, such as a lien, judgment or collection, paid or unpaid, is reflected on the credit report or elsewhere in the Mortgage file with respect to such Borrower; and
  - ❑ At least one other Borrower whose income and assets are used for qualification has an acceptable credit reputation

Any income contributed by the Borrower with insufficient credit history may be considered as qualifying income if the amount contributed by such Borrower is not more than 30% of the total qualifying income.

The minimum Indicator Scores for Manually Underwritten Mortgages are:

<b>Minimum Indicator Scores for Manually Underwritten HeritageOne® Mortgages</b>	
<b>Property/Mortgage type</b>	<b>Minimum Indicator Score<sup>1</sup></b>
Purchase transaction Mortgages secured by 1-unit properties	660
“No cash-out” refinance Mortgages secured by 1-unit properties	680
Manufactured Homes	680

<sup>1</sup> The minimum Indicator Scores are also in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

### **(b) Qualifying ratios**

There is no maximum monthly housing expense-to-income ratio, except for Manually Underwritten Mortgages that include a non-occupying Borrower. See Section 5103.1 for additional requirements for Mortgages that include a non-occupying Borrower.

For Loan Product Advisor® Mortgages, the maximum monthly debt payment-to-income (DTI) ratio is determined by Loan Product Advisor.

For Manually Underwritten Mortgages, the maximum monthly DTI ratios are:

<b>Maximum monthly DTI ratios for Manually Underwritten HeritageOne Mortgages</b>	
<b>Property/Mortgage type</b>	<b>Maximum monthly DTI ratio</b>
1-unit properties <sup>1</sup>	45%
Manufactured Homes that are Caution Mortgages	36%

<sup>1</sup> See Section 5103.1 for additional requirements for Mortgages that include a non-occupying Borrower.

Note: The Borrower’s monthly DTI ratio must be underwritten pursuant to Section 5401.2.

### **(c) Maximum LTV/TLTV ratios**

The value used to calculate the LTV/TLTV ratios must be established pursuant to Section 4203.1(a).

The following maximum LTV/TLTV ratios apply to both purchase transaction and “no cash-out” refinance Mortgages:

Maximum LTV/TLTV ratios for HeritageOne Mortgages	
Property/Mortgage type	Maximum LTV/TLTV ratios
1-unit properties <sup>1</sup>	97% <sup>2</sup>
2- to 4-unit properties	95% <sup>2</sup>
CHOICEHomes®	97% <sup>2</sup>
Manufactured Homes <sup>1, 3</sup>	See Chapter 5703

<sup>1</sup> See Section 5103.1 for additional requirements for Mortgages that include a non-occupying Borrower.

<sup>2</sup> A TLTV ratio not exceeding 105% is permitted when secondary financing is an Affordable Second®.

<sup>3</sup> If permitted under the Seller's Purchase Documents, see Section 5706.5 for additional requirements for Manufactured Homes on leasehold estates.

Note: The maximum LTV/TLTV ratios may be lower for a Condominium Unit Mortgage depending on the project review type or whether the Mortgage is exempt from project review (see Chapter 5701).

## 4504.7: Borrower contribution, reserves and sources of funds for HeritageOne® Mortgages (05/07/25)

This section contains requirements related to:

- [Borrower contribution](#)
- [Reserves](#)
- [Sources of funds](#)
- [Funds provided by a Native American Tribe](#)

### (a) Borrower contribution

For purchase transaction Mortgages, the minimum Borrower contribution required to be paid from Borrower personal funds (as described in Section 4504.7(c)(i)), based on the loan-to-value (LTV)/total LTV (TLTV) ratios for the Mortgage, is:

Minimum Borrower contribution for HeritageOne® Mortgages			
Property/Mortgage type	LTV/TLTV ratios ≤ 80%	LTV/TLTV ratios > 80% and ≤ 95%	LTV/TLTV ratios > 95%
1-unit properties	None	None	None
2- to 4-unit properties	None	3% of value	3% of value
Manufactured Homes	None	None	None

### (b) Reserves

Reserves are not required for:

- Accept Mortgages secured by 1-unit properties, unless Loan Product Advisor® determines reserves are necessary to offset other underwriting factors
- Manually Underwritten Mortgages secured by 1-unit properties

For Mortgages secured by 2- to 4-unit properties, the Seller must verify all reserves required by Loan Product Advisor, as stated on the Last Feedback Certificate.

### (c) Sources of funds

The following sources of funds may be used to qualify the Borrower if the requirements in Section 4504.7(c)(i), 4504.7(c)(ii) or 4504.7(c)(iii), as applicable, are met:

Sources of funds for HeritageOne Mortgages	
Use	Permitted source(s) of funds
Minimum Borrower contribution	Borrower personal funds
Down Payment	<ul style="list-style-type: none"> <li>■ Borrower personal funds</li> <li>■ Other eligible sources of funds</li> </ul>
Paying down the principal balance of the Mortgage being refinanced for a “no cash-out” refinance Mortgage	<ul style="list-style-type: none"> <li>■ Borrower personal funds</li> <li>■ Other eligible sources of funds</li> </ul>
Closing Costs	<ul style="list-style-type: none"> <li>■ Borrower personal funds</li> <li>■ Other eligible sources of funds</li> </ul>

Sources of funds for HeritageOne Mortgages	
Use	Permitted source(s) of funds
	<ul style="list-style-type: none"> <li>■ Flexible sources of funds</li> </ul>
Reserves	<ul style="list-style-type: none"> <li>■ Borrower personal funds</li> <li>■ Other eligible sources of funds</li> </ul>

**(i) Borrower personal funds**

Borrower personal funds include:

- Borrower personal funds described in Section 5501.3
- Cash on hand, if the requirements in Section 4501.7(c)(i)(2) are met

**(ii) Other eligible sources of funds**

Other eligible sources of funds include:

- Other eligible sources of funds described in Section 5501.4
- Gift or grant funds provided by the Seller as the originating lender, if a contribution of at least 3% of value is made from Borrower personal funds and/or other eligible sources of funds. The gift or grant may not be funded through the Mortgage transaction (i.e., through premium pricing).
- Although Sections 4204.2(a)(i)(A) and 5501.4 provide otherwise, funds may be provided by an Agency affiliated with, under contract to or financed (directly or indirectly) by the Seller as the originating lender, if:
  - ☐ The source of funds (e.g., a gift or grant, an unsecured loan, an Affordable Second<sup>®</sup>) is an eligible source of funds that meets all other Guide requirements; and
  - ☐ The source of funds is not funded through the Mortgage transaction
- For purchase transaction Mortgages, funds from an unsecured loan, if the requirements in Section 4501.7(c)(ii)(3) are met, except that the funds may be provided by an Agency pursuant to Section 4504.7(c)(ii) or 4504.7(d)
- Sweat equity as a credit towards the Down Payment and/or Closing Costs, if the sweat equity requirements in Section 4501.7(c)(ii)(4) are met, except that the maximum LTV/TLTV ratios in this chapter and the special delivery requirements in Section 6302.50 apply

- Funds from an Affordable Second or other secondary financing arrangement

**(iii) Flexible sources of funds**

Flexible sources of funds include:

- Financing concessions described in Section 5501.6(b) that meet the applicable interested party contribution requirements in Section 5501.6
- Lender credits described in Section 5501.7(a) that are documented on the Settlement/Closing Disclosure Statement
- Funds from an unsecured loan provided by the Seller as the originating lender, if the requirements in Section 4501.7(c)(iii)(3) are met

**(d) Funds provided by a Native American Tribe**

For funds provided by a Native American Tribe:

- The Native American Tribe providing the funds must be the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises is located; or
- The Borrower must be an enrolled member of the Native American Tribe providing the funds

## **4504.8: HeritageOne<sup>®</sup> Mortgages that are leasehold Mortgages (03/05/25)**

This section contains requirements related to:

- [Leasehold Mortgages](#)
- [Lease agreements](#)
- [Form of lease agreement](#)

**(a) Leasehold Mortgages**

For leasehold Mortgages, the Mortgaged Premises must be located on either tribal trust land or allotted trust land and cannot be located on land that is owned in fee simple.

Leasehold Mortgages must meet the requirements of Chapter 5704 and all other provisions in the Seller's Purchase Documents applicable to leasehold estates.

If permitted under the Seller's Purchase Documents, Leasehold Mortgages secured by Manufactured Homes must meet the requirements of Chapter 5706 and all other provisions in the Seller's Purchase Documents applicable to Manufactured Homes, except that the Manufactured Home is not required to be located in a ground lease community (although Section 5706.2 provides otherwise).

#### **(b) Lease agreements**

The term of the lease agreement must be a minimum of 25 years with an automatic 25-year renewal.

The term of the lease agreement (before renewal) must expire at least five years after the term of the Mortgage expires. Any necessary approvals or signatures must be obtained from the U.S. Secretary of the Interior or the BIA, as applicable, to extend the term of the lease agreement to a period longer than 25 years.

The Seller must maintain in the Mortgage file a copy of the recorded lease agreement, including any amendments or riders thereto.

#### **(c) Form of lease agreement**

It is recommended (but not required) that the most recent version of the standard lease form in HUD's Section 184 Program be used for leasehold Mortgages.

The lease agreement may not adversely impact the rights of Freddie Mac or the Seller/Servicer to foreclose or acquire title to the Mortgaged Premises, accept a deed or assignment in lieu of foreclosure or transfer title to or lease the Mortgaged Premises, if acquired.

## **4504.9: Appraisal requirements for HeritageOne<sup>®</sup> Mortgages (03/05/25)**

This section contains requirements related to:

- [Appraiser qualifications](#)
- [Appraisal type, automated collateral evaluation \(ACE\) eligibility and ACE+ PDR eligibility](#)
- [Appraised value representation and warranty relief](#)
- [Appraisal cost offset credit](#)
- [Sales comparison approach and cost approach](#)

- [Additional form instructions](#)
- [Site value](#)
- [Uniform Collateral Data Portal® \(UCDP®\)](#)
- [Additional resources](#)

The following appraisal requirements apply to HeritageOne® Mortgages:

**(a) Appraiser qualifications**

In addition to the appraiser qualifications in Section 5603.1, the Seller must ensure the appraiser has the knowledge and experience required to perform appraisals for properties located in Tribal Areas. By way of example and not of limitation, the appraiser must be knowledgeable about and have experience with the various types of land ownership interests (e.g., tribal trust land, allotted trust land, unrestricted or restricted fee simple land, etc.) and have access to all appropriate data sources.

Although traditional appraisal data sources (e.g., multiple listing service, public land records, etc.) remain important sources of data, the appraiser may need access to other sources of data and information, such as those maintained by the BIA and the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises is located, to develop a fully supported and sufficiently documented opinion of market value.

**(b) Appraisal type, ACE eligibility and ACE+ PDR eligibility**

The appraisal must meet the requirements of Topic 5600.

Unless an ACE appraisal waiver or ACE+ PDR is offered and accepted in accordance with Section 5602.3 or 5602.4, respectively:

- An appraisal report with an interior and exterior inspection is required; and
- The Seller must maintain in the Mortgage file all property valuation documentation

**(c) Appraised value representation and warranty relief**

If an appraisal report is obtained and the sales comparison approach was used, the Mortgage may be eligible for appraised value representation and warranty relief, if the requirements for Loan Collateral Advisor® appraised value representation and warranty relief in Section 5602.2 are met.

**(d) Appraisal cost offset credit**



If an appraisal report is obtained for the Mortgage transaction, Freddie Mac will issue an appraisal cost offset credit, which must be passed to the Borrower.

The appraisal cost offset credit will be detailed in the Seller's Purchase Documents.

**(e) Sales comparison approach and cost approach**

When a sufficient number of comparable sales (i.e., a minimum of three closed comparable sales) are available, the sales comparison approach (with any support provided from the cost approach or income approach, as applicable) must be used by the appraiser. It is acceptable to use comparable sales that are older than, distant from or dissimilar to the subject property, if the applicable sales comparison approach requirements in Section 5605.6 are met.

For Market Areas without a sufficient number of comparable sales to develop a fully supported and sufficiently documented opinion of market value using the sales comparison approach, although Sections 5605.6 and 5605.7(a) provide otherwise, an appraisal report that relies solely on the cost approach for the opinion of market value is acceptable, if the appraiser:

- Provides:
  - A well-developed cost approach that includes a fully completed cost approach section of the report
  - Sufficient detail to allow the Seller to replicate the cost approach; and
  - In the reconciliation section of the report, an explanation of how the value was derived
- Uses the revised scope of work, statement of assumptions and limiting conditions and appraiser's certifications (which will be provided in the Seller's Purchase Documents), and the additional form instructions set forth below; and
- Completes all fields in the report, other than the comparable sales data in the sales comparison approach grid

An appraisal report may not rely solely on the cost approach for the opinion of market value if the Mortgage is secured by a:

- Property subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period) or recordation of a deed-in-lieu of foreclosure
- Condominium Unit
- 2- to 4-unit property; or

- Property with an ADU

**(f) Additional form instructions**

For an appraisal report that relies solely on the cost approach for the opinion of market value, the report must include the text identifier “Heritage1” in the “File #” field in the appraisal report form.

The appraiser must complete all applicable fields for the subject property in the sales comparison approach grid, including, but not limited to:

- Location
- View
- Quality of Construction
- Condition
- Gross Living Area

**(g) Site value**

For properties on land that is owned in fee simple, for appraisal reports that rely solely on the cost approach for the opinion of market value, a site value must be developed and reported.

For leasehold Mortgages, if there is no ground rent due under the lease agreement and no upfront payment was made, the leased fee value is zero, and no value is attributable to the underlying land.

**(h) UCDP**

If an appraisal report is obtained for the Mortgage transaction, the report must be submitted to the UCDP and receive a “Successful” status prior to delivery of the Mortgage.

**(i) Additional resources**

Sellers are encouraged to review the Appraisal Institute’s appraisal training curriculum for performing property valuations in tribal areas.

## 4504.9: Appraisal requirements for HeritageOne® Mortgages (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of this section.

This section contains requirements related to:

- [Appraiser qualifications](#)
- [Appraisal type, automated collateral evaluation \(ACE\) eligibility and ACE+ PDR eligibility](#)
- [Appraised value representation and warranty relief](#)
- [Appraisal cost offset credit](#)
- [Sales comparison approach and cost approach](#)
- [Additional form instructions](#)
- [Site value](#)
- [Uniform Collateral Data Portal® \(UCDP®\)](#)
- [Additional resources](#)

The following appraisal requirements apply to HeritageOne® Mortgages:

### (a) Appraiser qualifications

In addition to the appraiser qualifications in Section 5603.1, the Seller must ensure the appraiser has the knowledge and experience required to perform appraisals for properties located in Tribal Areas. By way of example and not of limitation, the appraiser must be knowledgeable about and have experience with the various types of land ownership interests (e.g., tribal trust land, allotted trust land, unrestricted or restricted fee simple land, etc.) and have access to all appropriate data sources.

Although traditional appraisal data sources (e.g., multiple listing service, public land records, etc.) remain important sources of data, the appraiser may need access to other sources of data and information, such as those maintained by the BIA and the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises is located, to develop a fully supported and sufficiently documented opinion of market value.

**(b) Appraisal type, ACE eligibility and ACE+ PDR eligibility**

The appraisal must meet the requirements of Topic 5600.

Unless an ACE appraisal waiver or ACE+ PDR is offered and accepted in accordance with Section 5602.3 or 5602.4, respectively:

- An appraisal report with an interior and exterior inspection is required; and
- The Seller must maintain in the Mortgage file all property valuation documentation

**(c) Appraised value representation and warranty relief**

If an appraisal report is obtained and the sales comparison approach was used, the Mortgage may be eligible for appraised value representation and warranty relief, if the requirements for Loan Collateral Advisor<sup>®</sup> appraised value representation and warranty relief in Section 5602.2 are met.

**(d) Appraisal cost offset credit**

If an appraisal report is obtained for the Mortgage transaction, Freddie Mac will issue an appraisal cost offset credit, which must be passed to the Borrower.

The appraisal cost offset credit will be detailed in the Seller's Purchase Documents.

**(e) Sales comparison approach and cost approach**

When a sufficient number of comparable sales (i.e., a minimum of three closed comparable sales) are available, the sales comparison approach (with any support provided from the cost approach or income approach, as applicable) must be used by the appraiser. It is acceptable to use comparable sales that are older than, distant from or dissimilar to the subject property, if the applicable sales comparison approach requirements in Section 5605.6 are met.

For Market Areas without a sufficient number of comparable sales to develop a fully supported and sufficiently documented opinion of market value using the sales comparison approach, although Sections 5605.6 and 5605.7(a) provide otherwise, an appraisal report that relies solely on the cost approach for the opinion of market value is acceptable, if the appraiser:

- Provides:
  - A well-developed cost approach that includes a fully completed cost approach section of the report
  - Sufficient detail to allow the Seller to replicate the cost approach; and

- ❑ In the reconciliation section of the report, an explanation of how the value was derived
- Uses the revised scope of work, statement of assumptions and limiting conditions and appraiser's certifications (which will be provided in the Seller's Purchase Documents), and the additional form instructions set forth below; and
- Completes all fields in the report, other than the comparable sales data in the sales comparison approach grid

An appraisal report may not rely solely on the cost approach for the opinion of market value if the Mortgage is secured by a:

- Property subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period) or recordation of a deed-in-lieu of foreclosure
- Condominium Unit
- 2- to 4-unit property; or
- Property with an ADU

**(f) Additional form instructions**

For an appraisal report that relies solely on the cost approach for the opinion of market value, the report must include the text identifier "Heritage1" in the "File #" field in the appraisal report form.

The appraiser must complete all applicable fields for the subject property in the sales comparison approach grid, including, but not limited to:

- Location
- View
- Quality of Construction
- Condition
- Gross Living Area

**(g) Site value**

For properties on land that is owned in fee simple, for appraisal reports that rely solely on the cost approach for the opinion of market value, a site value must be developed and reported.

For leasehold Mortgages, if there is no ground rent due under the lease agreement and no upfront payment was made, the leased fee value is zero, and no value is attributable to the underlying land.

**(h) UCDP**

If an appraisal report is obtained for the Mortgage transaction, the report must be submitted to the UCDP and receive a “Successful” status prior to delivery of the Mortgage.

**(i) Additional resources**

Sellers are encouraged to review the Appraisal Institute’s appraisal training curriculum for performing property valuations in tribal areas.

## **4504.9: Appraisal requirements for HeritageOne<sup>®</sup> Mortgages (Future effective date 11/02/26)**

This section contains requirements related to:

- [Appraiser qualifications](#)
- [Appraisal type, automated collateral evaluation \(ACE\) eligibility and ACE+ PDR eligibility](#)
- [Appraised value representation and warranty relief](#)
- [Appraisal cost offset credit](#)
- [Sales comparison approach and cost approach](#)
- [Additional form instructions](#)
- [Site value](#)
- [Uniform Collateral Data Portal<sup>®</sup> \(UCDP<sup>®</sup>\)](#)
- [Additional resources](#)

The following appraisal requirements apply to HeritageOne<sup>®</sup> Mortgages:

**(a) Appraiser qualifications**

In addition to the appraiser qualifications in Section 5603.1, the Seller must ensure the appraiser has the knowledge and experience required to perform appraisals for properties located in Tribal Areas. By way of example and not of limitation, the appraiser must be

knowledgeable about and have experience with the various types of land ownership interests (e.g., tribal trust land, allotted trust land, unrestricted or restricted fee simple land, etc.) and have access to all appropriate data sources.

Although traditional appraisal data sources (e.g., multiple listing service, public land records, etc.) remain important sources of data, the appraiser may need access to other sources of data and information, such as those maintained by the BIA and the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises is located, to develop a fully supported and sufficiently documented opinion of market value.

**(b) Appraisal type, ACE eligibility and ACE+ PDR eligibility**

The appraisal must meet the requirements of Topic 5600.

Unless an ACE appraisal waiver or ACE+ PDR is offered and accepted in accordance with Section 5602.3 or 5602.4, respectively:

- An appraisal report with an interior and exterior inspection is required; and
- The Seller must maintain in the Mortgage file all property valuation documentation

**(c) Appraised value representation and warranty relief**

If an appraisal report is obtained and the sales comparison approach was used, the Mortgage may be eligible for appraised value representation and warranty relief, if the requirements for Loan Collateral Advisor<sup>®</sup> appraised value representation and warranty relief in Section 5602.2 are met.

**(d) Appraisal cost offset credit**

If an appraisal report is obtained for the Mortgage transaction, Freddie Mac will issue an appraisal cost offset credit, which must be passed to the Borrower.

The appraisal cost offset credit will be detailed in the Seller's Purchase Documents.

**(e) Sales comparison approach and cost approach**

When a sufficient number of comparable sales (i.e., a minimum of three closed comparable sales) are available, the sales comparison approach (with any support provided from the cost approach or income approach, as applicable) must be used by the appraiser. It is acceptable to use comparable sales that are older than, distant from or dissimilar to the subject property, if the applicable sales comparison approach requirements in Section 5605.7 are met.

For Market Areas without a sufficient number of comparable sales to develop a fully supported and sufficiently documented opinion of market value using the sales comparison approach, although Sections 5605.7 and 5605.8(a) provide otherwise, an appraisal report that

relies solely on the cost approach for the opinion of market value is acceptable, if the appraiser:

- Provides:
  - ❑ A well-developed cost approach that includes a fully completed cost approach section of the report
  - ❑ Sufficient detail to allow the Seller to replicate the cost approach; and
  - ❑ In the reconciliation section of the report, an explanation of how the value was derived
- Uses the revised scope of work, statement of assumptions and limiting conditions and appraiser's certifications (which will be provided in the Seller's Purchase Documents), and the additional form instructions set forth below; and
- Completes all fields in the report, other than the comparable sales data in the sales comparison approach grid

An appraisal report may not rely solely on the cost approach for the opinion of market value if the Mortgage is secured by a:

- Property subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period) or recordation of a deed-in-lieu of foreclosure
- Condominium Unit
- 2- to 4-unit property; or
- Property with an ADU

**(f) Additional form instructions**

For an appraisal report that relies solely on the cost approach for the opinion of market value, the report must include the text identifier "Heritage1" in the "File #" field in the appraisal report form.

The appraiser must complete all applicable fields for the subject property in the sales comparison approach grid, including, but not limited to:

- Location
- View



- Quality of Construction
- Condition
- Gross Living Area

**(g) Site value**

For properties on land that is owned in fee simple, for appraisal reports that rely solely on the cost approach for the opinion of market value, a site value must be developed and reported.

For leasehold Mortgages, if there is no ground rent due under the lease agreement and no upfront payment was made, the leased fee value is zero, and no value is attributable to the underlying land.

**(h) UCDP**

If an appraisal report is obtained for the Mortgage transaction, the report must be submitted to the UCDP and receive a “Successful” status prior to delivery of the Mortgage.

**(i) Additional resources**

Sellers are encouraged to review the Appraisal Institute’s appraisal training curriculum for performing property valuations in tribal areas.

## **4504.10: Mortgage insurance and title insurance requirements for HeritageOne® Mortgages (03/05/25)**

This section contains requirements related to:

- [Mortgage insurance](#)
- [Title insurance](#)

**(a) Mortgage insurance**

Information related to mortgage insurance for HeritageOne® Mortgages will be detailed in the Seller’s Purchase Documents.

**(b) Title insurance**

See Section 4702.7 for title insurance requirements for HeritageOne Mortgages.

## 4504.11: Mortgage file requirements for HeritageOne® Mortgages (03/05/25)

For HeritageOne® Mortgages, the Seller must maintain in the Mortgage file:

- Evidence that the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises is located is included in the BIA's most recent publication of the notice titled "Indian Entities Recognized by and Eligible To Receive Services From the United States Bureau of Indian Affairs" and:
  - ❑ A copy of the fully executed memorandum of understanding between the Eligible Native American Tribe and Freddie Mac, if applicable
  - ❑ A printout showing the Eligible Native American Tribe in the list of Eligible Native American Tribes on [Freddie Mac's website](#)
  - ❑ A printout showing the Eligible Native American Tribe in HUD's most recent Section 184 Participating Tribes List; or
  - ❑ Documentation issued by HUD indicating unconditional approval of the Eligible Native American Tribe as a participating tribe
- Documentation verifying the Borrower is an enrolled member of a Native American Tribe:
  - ❑ A copy of the Borrower's tribe-issued enrollment card; or
  - ❑ A copy of a tribe-issued letter indicating the Borrower's enrollment as a member of the Native American Tribe
- Evidence of the land ownership interest (e.g., tribal trust land, allotted trust land, unrestricted or restricted fee simple land, etc.) of the Mortgaged Premises and the court system that has jurisdiction over the Mortgaged Premises
- A copy of the certified title status report(s) obtained from the BIA, if applicable
- To the extent possible, the following contact information for the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises is located:
  - ❑ If different from the contact information listed in the Tribal Leaders Directory maintained by the BIA, documentation listing the Eligible Native American Tribe's contact information in a substantially similar format
  - ❑ Contact information for the Eligible Native American Tribe's office of real estate services, if applicable; and

- ❑ For leasehold Mortgages, contact information for the party that manages lease agreements on behalf of the Eligible Native American Tribe or the lessor (e.g., management company), if applicable
- For purchase transaction Mortgages secured by 2- to 4-unit properties, evidence of completion of the landlord education program, if required

## **4504.12: Credit Fees for HeritageOne® Mortgages (03/05/25)**

Credit Fees related to HeritageOne® Mortgages will be detailed in the Seller's Purchase Documents.