

Completing Third-Party Foreclosure Sales

Quick Reference



When a third party is the successful bidder at the foreclosure sale, you must report the results of the sale and remit our share of the total principal and net yield interest to us. This quick reference outlines the high-level activities you must perform to complete third-party foreclosure sales. Information on how to request reimbursement, if applicable, is also provided.

Specifically, this quick reference:

- [Explains how to notify us of the foreclosure sale results.](#)
- [Provides instructions on reporting the third-party foreclosure sale and remitting principal and interest due to us.](#)
- [Includes a worksheet for comparing the sale price and net foreclosure sale proceeds to the total indebtedness](#) to determine if settlement is required.
- Describes the circumstances when you must [settle the third-party foreclosure sale via Workout Prospector®](#) and, if necessary, [request reimbursement of expenses](#), including [examples of how to request reimbursement based on the distribution of sale proceeds](#).
- Contains information on [verifying the charge-off information](#), if applicable, and [other activities that may be required](#).

Please ensure that your foreclosure representatives refer to this quick reference when completing third-party foreclosure sales for Freddie Mac mortgages.

Additional Resources

Refer to the following resources for additional information about completing third-party foreclosure sales:

- *Single-Family Seller/Servicer Guide* (Guide) Sections 9301.43 and 9601.1 through 9601.3
- [The Learning Center](#) and the [Workout Settlements](#) web site for updates, best practices, tools, and other resources to help you effectively manage and settle your third-party foreclosure sales

If you have any questions about completing third-party foreclosure sales, contact your Freddie Mac representative or Customer Support at 800-FREDDIE.

Send us any documents that must be executed.

If we need to execute any documents related to a third-party foreclosure sale, email Form 105, *Multipurpose Loan Servicing Transmittal*, with supporting documentation to Foreclosures@FreddieMac.com and include the document we need to execute.

Step 1: Notify us of the sale using the Report Foreclosure Sale/Deed-in-Lieu Activity functionality in the Service Loans application.

You must notify us of the third-party foreclosure sale via the Service Loans application using the Report Foreclosure Sale/Deed-in-Lieu Activity functionality (i.e., foreclosure sale/deed-in-lieu of foreclosure (DIL) submission) within one business day of the foreclosure sale date. Complete the applicable data fields, including whether deficiency rights were preserved. Refer to Guide Section 9301.38 for additional information.

If you do not report the sale or do not report the sale correctly within one business day of the foreclosure sale date, we may assess you a compensatory fee of \$100 per loan, per day, for every day the foreclosure sale is not reported or reported incorrectly. We consider the foreclosure sale results to be correctly reported when we have received and successfully processed the foreclosure sale/DIL submission without errors.

Step 2: Report a third-party foreclosure sale transaction (exception code 71) through loan-level reporting and remit our share of the total principal and net yield interest to us.

Instruct the foreclosure attorney conducting the sale to remit the sale proceeds to you, via overnight mail or wire transfer, no later than three business days after he or she receives the proceeds. The attorney must not deduct his or her fees and/or costs from the sale proceeds check. If you have not received the sale proceeds from the foreclosure attorney within 60 days of the foreclosure sale, you should provide a status update to us at shortsales@FreddieMac.com, and on a monthly basis thereafter until you receive the proceeds.

Pursuant to Guide Section 8303.10, perform the following steps when you receive the proceeds from a third-party foreclosure sale:

1. Report the mortgage as a third-party foreclosure sale transaction (exception code 71) through loan-level reporting within two business days after you receive the sale proceeds.

When reporting, ensure that the

- Foreclosure sale date is the date that the foreclosure sale occurred
 - Ending gross unpaid principal balance (UPB) is \$0.00
 - Principal due field is completed with the gross UPB as of the last reporting cycle before the mortgage was inactivated
 - Due date of last paid installment (DDLPI) is the date of the last fully paid monthly installment
2. Initiate two separate remittances to Freddie Mac through the automated cash remittance system no later than the fifth business day after you receive the sale proceeds:
 - Remit the UPB as reported in the previous cycle, plus or minus the exception interest, so that it is available to us by the fifth business day after you receive the proceeds.
 - Remit the monthly interest or any reinstatement interest due to us as of the accounting cycle cutoff in which you paid off the mortgage, based on the remittance due date.

Step 3: Compare the Sale Price and Net Foreclosure Sale Proceeds to the Total Indebtedness.

To report and remit accurately, you must understand how to calculate the total indebtedness, and compare that amount to the sale price and net foreclosure sale proceeds. For purposes of reporting and remitting third-party foreclosure sales, the term “indebtedness” includes all reimbursable expenses and amounts, including those amounts that may not be recoverable from the borrower or legally collectable from the third-party purchaser under state or local law.

Total indebtedness includes, but is not limited to, the following items:

- Gross UPB
- Amounts you advanced (property insurance premiums, mortgage insurance premiums, water/sewer bills, real estate taxes, preservation costs)
- Foreclosure fees/costs
- Delinquent interest
- Bankruptcy fees/costs

First: Calculate the Total Indebtedness

Add the following to calculate the total indebtedness:

Gross UPB.....	+	_____
Delinquent Interest (interest accrued from the DDLPI through the foreclosure sale date).....	+	_____
Foreclosure Fees/Costs (advanced and pending).....	+	_____
Bankruptcy Fees/Costs (advanced and pending).....	+	_____
Real Estate Taxes (amounts you advanced).....	+	_____
Property Insurance - including hazard, flood, and earthquake insurance (amounts you advanced).....	+	_____
Mortgage Insurance Premium (amounts you advanced).....	+	_____
Water/Sewer Bills - if the items have priority over our mortgage (amounts you advanced).....	+	_____
Preservation Costs (see Guide Exhibit 57 for approved expense limits).....	+	_____
Valuation Costs (BPO, appraisal, etc.)	+	_____
Other costs (please explain).....	+	_____
Escrow Account Balance as of the DDLPI (indicate if the balance is negative or positive).....	-/+	_____
Preservation Costs (see Guide Exhibit 57 for approved expense limits).....	+	_____
Funds held in a temporary subsidy buydown account, if applicable.....	-	_____
Total Indebtedness		_____

Second: Compare the Sale Price and Net Foreclosure Sale Proceeds to the Total Indebtedness

Sale Price (actual bid amount or total judgment amount).....		_____
Net Foreclosure Sale Proceeds.....		_____
Total Indebtedness.....		_____
Sale Price minus Total Indebtedness.....	=	_____
Net Foreclosure Sale Proceeds minus Total Indebtedness.....	=	_____

If:	Then:
The sale price minus total indebtedness is less than zero	Proceed to step 4.
The net foreclosure sale proceeds minus total indebtedness is zero or greater than zero	Net foreclosure sale proceeds are equal to or greater than the total indebtedness. Do not settle the third-party foreclosure sale via Workout Prospector or request reimbursement of expenses.

Step 4: Settle the Third-Party Foreclosure Sale via Workout Prospector®.

After the foreclosure sale is confirmed or ratified, and you receive the sale proceeds, you must use Workout Prospector to model and settle the third-party foreclosure sale when:

- The sale price is less than total indebtedness, and/or
- You are owed reimbursable expenses or amounts, including expenses that were deducted from the sale proceeds before being remitted to foreclosure counsel pursuant to applicable law.

If the net foreclosure sale proceeds are equal to or greater than the total indebtedness, do not settle the third-party foreclosure sale via Workout Prospector.

For additional information, refer to Guide Section 9301.43 and the [Workout Prospector Users' Guide](#).

Supporting Documentation

We generally will not require you to send supporting documentation when settling a third-party foreclosure sale via Workout Prospector. However, there are situations where we may ask for supporting documentation.

Standard supporting documentation includes, but is not limited to, the following:

- Form 1160, *Third-Party Sale Transmittal Worksheet*
- A breakdown of the distribution of proceeds, if the sale proceeds are less than the sale price (e.g., if the foreclosure court order required the payment of sheriff expenses from the sale price). If the sale proceeds equal 100 percent of the sale price, you do not have to provide this itemization.
- A copy of the property valuation, if used for the foreclosure bid.
- A copy of the sale proceeds check or other documentation (e.g., proof of wire transfer) verifying the amount of sale proceeds received.
- A copy of the sheriff's appraisal or other documentation used to establish the opening bid, if required by state law.
- If there are amounts not legally collectable from the third-party purchaser that need to be reimbursed to you, supporting documentation, including but not limited to, the applicable state statute.

Step 5: Request reimbursement.

If you are owed reimbursement of any shortage in the sale proceeds (e.g., sheriff or auctioneer fees), and/or reimbursable expenses or amounts not legally collectable, submit your request for reimbursement via the Reimbursement System. Ensure that you offset these expenses or amounts by income as set forth in Guide Section 9701.19. For additional information regarding reimbursement claim submission types and timeframes, refer to Guide Section 9701.5.

As a reminder, if net foreclosure sale proceeds are equal to or greater than the total indebtedness, do not submit a request for reimbursement via the Reimbursement System.

Note: We generally will not require you to provide supporting documentation with your expense reimbursement requests. However, in the event we do request supporting documentation to process a claim, you must meet the appropriate submission deadline in Guide Section 9701.5 or any deadline provided in our request for documentation.

Examples: Requesting Reimbursement Based on the Distribution of Sale Proceeds

The following are examples of how to request reimbursement based on the distribution of sale proceeds.

If:	Then:
<p>Gross foreclosure sale proceeds are greater than the net foreclosure sale proceeds.</p> <p>For example, the court has deducted court fees and costs from the sale proceeds prior to remitting them to the foreclosure counsel. Therefore, the sale proceeds the Servicer received are less than the gross foreclosure sale proceeds.</p>	<p>Submit a claim via the Reimbursement System to request reimbursement of expenses using the applicable expense codes. For this example, use expense code 030000 (Sheriff/Auctioneer Fees) for reimbursement of the fees and costs the court deducted from the sale proceeds.</p> <p>For example, if:</p> <p>Foreclosure Sale Price = \$140,000 Court Fees and Costs Deducted = \$3,000 Sale Proceeds Received by Servicer: = \$137,000</p> <p>You will request reimbursement for the court fees and costs in the amount of \$3,000 using expense code 030000.</p> <p>If requested, you must provide evidence of the distribution of sale proceeds reflecting the deduction(s) from the gross foreclosure sale proceeds made by the court.</p>
<p>Gross foreclosure sale proceeds are greater than the unpaid principal balance plus accrued interest (resulting in a positive charge-off amount), but are less than the unpaid principal balance plus accrued interest and expenses</p>	<p>Submit a claim via the Reimbursement System to request reimbursement of expenses using the applicable expense codes. For this example, report the positive charge-off amount as income using income code 815000 (Other Income). The income will offset any expenses.</p>
<p>Gross foreclosure sale proceeds include proceeds the sheriff, court, or trustee has awarded to interested parties other than Freddie Mac (e.g., payments to subordinate lien holders).</p>	<p>Submit a claim via the Reimbursement System to request reimbursement of expenses using the applicable expense codes.</p> <p>If requested, you must provide evidence of the distribution of sale proceeds reflecting the deduction(s) from the gross foreclosure sale proceeds made by the court.</p> <p>For example, if:</p> <p>Foreclosure Sale Price/ Foreclosure Sale Proceeds = \$125,000 Second Lien = \$25,000 Sale Proceeds Received by Servicer = \$100,000</p> <p>Note: When using Workout Prospector to model and settle the third-party foreclosure sale in this example, the gross foreclosure sale proceeds reported should be the gross foreclosure sale proceeds less any amounts awarded to interested parties other than Freddie Mac. Therefore, in this example, you would deduct the amount awarded to the second lien holder (\$25,000) from the foreclosure sale proceeds (\$125,000) and report \$100,000 as the gross foreclosure sale proceeds when modeling and settling the third-party foreclosure sale in Workout Prospector.</p>

If:	Then:	
Gross foreclosure sale proceeds are greater than the foreclosure sale price and net foreclosure sale proceeds, resulting in surplus proceeds or overbid funds	<p>You must pursue and claim to retain the surplus proceeds or overbid funds provided it is determined to be in Freddie Mac’s best interest, to the extent:</p> <ul style="list-style-type: none"> ▪ The funds will satisfy or reduce the total indebtedness under the terms of the mortgage or such other amount (e.g., amount and terms of the judgment) and the costs and expenses of the sale, if possible; and ▪ It is permitted under applicable State law <p>For additional information, refer to Guide Section 9301.37.</p> <p>If attorney services are required to pursue the surplus proceeds or overbid funds, you must submit a request for prior approval (RPA) using expense code 010000 (Attorney Fees (Judicial)) or 010006 (Attorney Fees (Non-Judicial)) to recommend incurring additional attorney fees.</p>	
	If:	Then:
	You <u>are</u> able to claim the surplus proceeds or overbid funds	Submit a claim via the Reimbursement System to request reimbursement for any remaining expenses, if recovery of the funds does not satisfy the total indebtedness.
You <u>are not</u> able to claim the surplus proceeds or overbid funds	<p>Retain documentation you received stating you may not claim the funds, or why pursuit of funds was determined not to be in Freddie Mac’s best interest, in the mortgage file. This documentation must be made available to Freddie Mac upon request.</p> <p>Submit a claim via the Reimbursement System to request reimbursement for the funds and expenses, if applicable, using the applicable expense codes. For this example, use expense code 030000 (Sheriff/Auctioneer Fees) for reimbursement of the funds.</p>	
Gross foreclosure sale proceeds are greater than the foreclosure sale price. The Servicer receives 100 percent of the gross foreclosure sale proceeds.	Submit a claim via the Reimbursement System to request reimbursement of expenses using the applicable expense codes if sale proceeds do not meet or exceed the total indebtedness.	

Step 6: Verify the charge-off information, if applicable.

The amount that will be charged off will be determined, in part, by the gross foreclosure sale proceeds (i.e., the sale price plus any excess proceeds you receive), and not the net foreclosure sale proceeds from the sale of the property. The adjustment amount will be reflected on the *Detail Adjustment Report* (DAR) following the successful settlement of the third-party foreclosure sale in *Workout Prospector*.

You must review the DAR and notify us of any discrepancies between your records and the amount on the report by submitting Form 1205, *Post-Settlement Correction Request*, to Post_settlement_correction@FreddieMac.com within 30 calendar days following the posting of the amount to the DAR. We will respond to you within 30 calendar days of receiving Form 1205.

Note: The [Post Settlement Correction Charge-off Forms for Fixed Rate Mortgage and ARMs](#) resource is available in the Learning Center on FreddieMac.com to assist you with determining the charge-off amount for your records.

Perform other activities that may be required.

The following are activities that are exceptions to the regular process that you must be familiar with as you complete third-party foreclosure sales for Freddie Mac mortgages.

Perform Servicer responsibilities related to property preservation and advancement of property taxes and insurance premiums after a third-party foreclosure sale.

In some jurisdictions, a mortgagee's interest in the mortgaged premises may not be immediately extinguished with a third party's successful at the foreclosure sale. During the period between the foreclosure sale date and the date the foreclosure action is completed (which might not be until the sale is confirmed or ratified), you must take the following actions, unless prohibited by applicable law:

- Continue to order and obtain timely and accurate property inspections in accordance with Guide Section 9202.12.
- Ensure that you submit a RPA and obtain Freddie Mac's approval prior to completing any necessary property preservation or maintenance, **even if the work you are recommending is within the allowable limits** outlined in Guide Exhibit 57, *1-4 Unit Property Approved Expense Amounts*. For additional information about RPAs, refer to the [Expense Reimbursement Desk Reference](#).

Note: Unless deferred maintenance caused or may cause Freddie Mac to have additional responsibilities or obligations in or for the property, you must not complete maintenance work.

- If it is determined to be in Freddie Mac's best interest, you may continue to advance all property taxes and property insurance premiums that become due if the net foreclosure sale proceeds from the third-party foreclosure sale do not equal or exceed the total indebtedness. We will reimburse you for such advances to the extent those amounts are not recovered from the borrower or purchaser.

Note: You may advance the property taxes and property insurance premiums that become due during this period, at your discretion, but we will not reimburse these amounts if the net foreclosure sale proceeds equal or exceed the total indebtedness at the time of the foreclosure sale.

Report property redemptions and remit the proceeds.

If the borrower redeems the property from a third-party foreclosure sale, perform the following steps:

1. Notify us via Form 105, *Multipurpose Loan Servicing Transmittal*, no later than one business day after redemption.
 - On the Form 105, indicate the breakdown of the redemption funds (principal, interest, and any other expenses reimbursed to you by the party redeeming the property).
 - Email the form to us at NPL_Third_Party_Sales@FreddieMac.com.

You may also fax the form to us at (571) 382-4913.

2. As required in Guide Section 8303.10, remit the required principal and interest owed to Freddie Mac through the automated cash remittance system within five business days after you receive the redemption proceeds.

If you are owed reimbursable expenses or reimbursable principal and interest after remitting the required amount to Freddie Mac, you must settle the third-party foreclosure sale as outlined in step 4.

For additional information, refer to Guide Section 9301.42.

Request a rollback, if applicable.

If the third-party foreclosure sale results reported to us in step 1 need to be corrected or removed for various reasons including, but not limited to, the reasons noted in Guide Section 9301.39(a), you must notify us by requesting a rollback and submitting Form 106, *Rollback Request Form*. Email the form to us at REO_Rollback_Request@FreddieMac.com.

For additional information about rollbacks, refer to Guide Section 9301.39.

Note: Do not request a rollback if you reported that a third party purchased the property at the foreclosure sale, erroneously or otherwise, and need to report that Freddie Mac acquired the property at the foreclosure sale (i.e., REO). Instead, re-report the foreclosure sale results within one business day of making the determination that Freddie Mac acquired the property at the foreclosure sale.

This document is not a replacement or substitute for the information found in the Freddie Mac *Single-Family Seller/Service Guide* and/or terms of your Master Agreement and/or other Pricing Identifier Terms.

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