

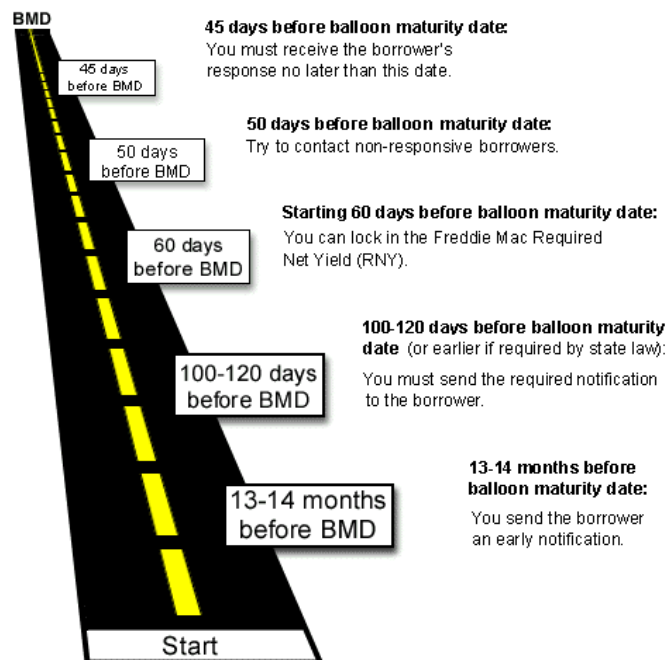
# Balloon/Reset Best Practices

The following best practices have proven successful in the servicing of balloon/reset mortgages. Freddie Mac compiled these best practices from Servicer roundtable discussions and reviews. These best practices, along with the *Servicing Maturing Balloon/Reset Mortgages* manual, will help you effectively manage the balloon/reset process so you can meet the requirements detailed in Chapter 83 of the *Single-Family Seller/Servicer Guide* (the Guide).

Visit us on the Learning Center at [www.freddiemac.com/learn/service/balloon\\_resets.html](http://www.freddiemac.com/learn/service/balloon_resets.html) to obtain the *Servicing Maturing Balloon/Reset Mortgages* manual or register for one of the balloon/reset training classes.

## Servicer Preparation

- Develop a system for forecasting reset volumes so that you can prepare and maintain appropriate resources.
- Know who your Freddie Mac balloon/reset representatives are for both eligible and ineligible borrowers.
- Develop a calendar of critical days. See below for a sample list of critical days that occur before the balloon maturity date (BMD). This sample does not include all critical days.



- Send employees responsible for balloon/resets to Freddie Mac training.
- Color code files by month of maturity to make it easier to manage larger volumes of files.

## **Borrower Communication**

- Use available interpreter services to help you communicate more effectively with borrowers whose first language is not English.
- Emphasize the reduced costs and simple processing for resetting a balloon mortgage compared to the higher and more complex alternative of refinancing.

## **Sending Required Notices**

- Provide a prepaid postage return envelope with the required notice to make it easier for the borrower to respond to the notice.
- Use overnight delivery to send a second or follow-up required notice letter to an unresponsive borrower. A required notice letter sent by overnight delivery decreases the opportunity for a borrower to claim insufficient notice of an upcoming balloon/reset when both of the following occur:
  - You have had no response from a borrower by a predetermined date that you have set (on or about 50 days before the balloon maturity date).
  - Your attempts to contact the borrower by telephone have been unsuccessful.

## **Completing the Reset**

- Complete a flood certification when you reset a mortgage whose certification is not already current.
- The monthly payment due on the balloon maturity date is only the interest portion of the payment, plus applicable escrow.
- Do not reinstate a balloon/reset mortgage in foreclosure without concurrence from the area within your organization responsible for balloon resets.
- Do not reinstate balloon/reset mortgages after the balloon maturity date. Refer to Section 83.112 of the Guide for additional information.
- Borrowers who have filed for bankruptcy protection may still be eligible to reset. Refer to Section 83.58 of the Guide for additional information.
- Counsel must object to reorganization plans if the plan extends beyond the balloon maturity date. Refer to Section 67.12 of the Guide for additional information.
- It is not necessary to order a title report when using a new title insurance product.