

It is important to establish trust and confidence in the early stages of communications with borrowers. The more knowledge you have about the default management process, workout options and, if necessary, the foreclosure process, the better you are able to assist delinquent borrowers. Educating the borrower sets clear expectations and enables quicker delinquency resolution.

This reference guide provides collectors with information that supports communication with borrowers during the collection and loss mitigation process. For additional information about collection efforts and managing delinquencies, refer to the following chapters in the *Single Family Seller/Servicer Guide* (Guide):

- Guide Chapter 9101: *Delinquency Management for Mortgages Secured by Primary Residences*
- Guide Chapter 9102: *Delinquencies*

## Establishing Borrower Contact

Servicing of a delinquent mortgage must be based upon personal contact, either by telephone, email or face-to-face interviews with a borrower. Form letters and notices, while having a place in any servicing program, generally are not as effective as personal contact and must not be used exclusively.

Collection techniques must include the use of:

- Telephone contacts or face-to-face interviews.
- Written communications such as email, notices and letters.
- Other responsible collection techniques used by prudent mortgage servicers such as email or a Servicer's web portal.

If you discover that the borrower's contact information (phone number or mailing address) is invalid, then you should initiate skip trace activities to obtain alternate phone numbers or mailing addresses.

## Quality Right Party Contact

The first objective in contacting a delinquent borrower is to establish quality right party contact.

Quality right party contact occurs when you establish contact with the borrower, co-borrower or trusted advisor, such as a housing counselor, and discuss the most appropriate options for delinquency resolution.

You must make every attempt to achieve quality right party contact by:

- Determining the reason for the delinquency and whether the reason is temporary or permanent in nature.
- Determining the borrower's ability to repay the debt.
- Setting payment expectations and educating the borrower on the availability of alternatives to foreclosure as appropriate.
- Obtaining a commitment from the borrower to either resolve the delinquency by paying the total delinquent amount or engaging in an alternative to foreclosure solution.

Freddie Mac encourages and fully supports Servicers that have or will implement additional processes, such as a single point of contact model, not currently required under the Guide or Servicers' other Purchase Documents for purposes of achieving contact continuity throughout the delinquency process. If the Servicer elects to have a process supporting a single point of contact model and is using a team approach, the Servicer should provide the borrower the ability to request and speak to a specific person from the assigned personnel team and leave a message. However, the Servicer may not use any additional processes that are not compliant with applicable law or otherwise averse to Freddie Mac.

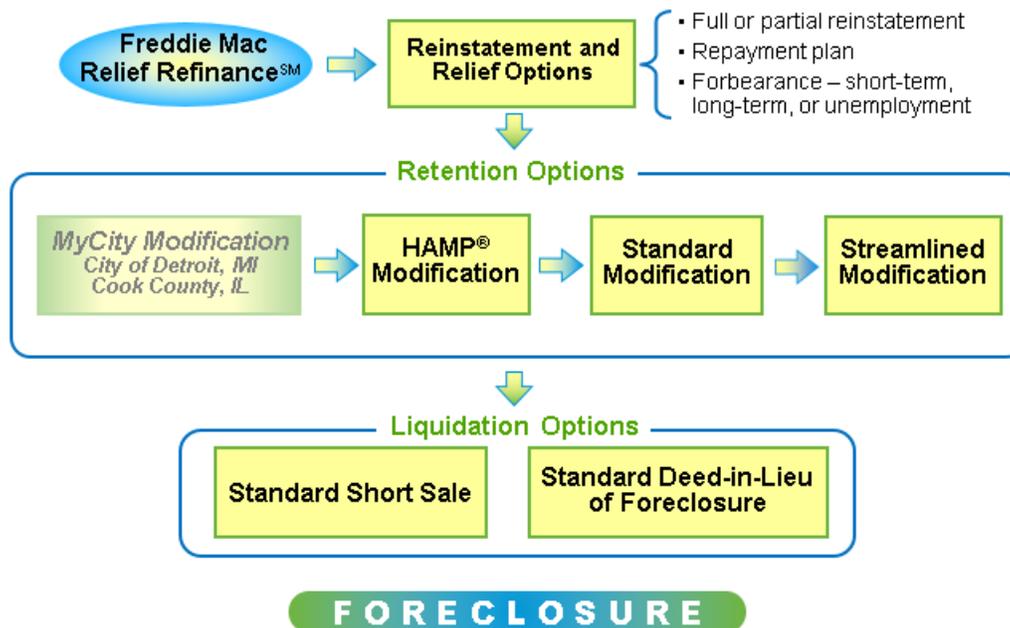
### Best Practices for Communicating and Building Trust with the Borrower

Use the following best practices to communicate and build trust with the borrower.

Best Practices for Communicating and Building Trust with the Borrower	
<input checked="" type="checkbox"/>	<p>Build trust with the borrower within the first 10-15 seconds by establishing empathy and a desire to help identify and discuss with the borrower, co-borrower, or trusted advisor, such as a housing counselor, the most appropriate options for delinquency resolution.</p> <p><i>“Hello my name is _____ and I am with _____. I see that you are behind on your mortgage payments and I would like to talk more and see if there is anything we can do to help you get back on track.”</i></p>
<input checked="" type="checkbox"/>	<p>Ascertain the borrower’s hardship and financial difficulties, and then review their finances.</p> <p><i>“Okay now that I understand your hardship and financial difficulties, let’s look at your finances.”</i></p>
<input checked="" type="checkbox"/>	<p>Initiate telephone contact at least every fifth day. Target high-risk borrowers such as those at risk for a worsening delinquency based on a Collection and Loss Mitigation Tool used in accordance with Guide Section 9102.4 or mortgages subject to the Special Servicing and Early Delinquency Counseling requirements in Guide Section 9102.4. Conduct calls at different times of the day and evening until quality right-party contact has been established.</p>
<input checked="" type="checkbox"/>	<p>When quality right party contact has been established, document the loan with the best time to call and verify best contact numbers.</p>
<input checked="" type="checkbox"/>	<p>Ask open ended questions:</p> <ul style="list-style-type: none"> <li>▪ What are your intentions on retaining ownership?</li> <li>▪ Are you currently occupying the property?</li> <li>▪ Is your financial hardship temporary or permanent? Document the financial hardship.</li> <li>▪ When do you expect the financial hardship to be resolved if temporary?</li> </ul> <p>Once you have these questions answered then you can proceed in discussing with the borrower the “best” workout option for the borrower regardless of whether it is relief, retention, liquidation or foreclosure.</p>
<input checked="" type="checkbox"/>	<p>The message to the borrower should be very clear. Set expectations with the borrower. Explain to the borrower the deliverables and follow-up dates. Follow through with your commitment to the borrower.</p> <p><i>“You will receive correspondence within the next __ days. You must complete the package and return it within 30 days. Once your complete package is received, we will review it for a possible workout solution and provide you with a decision within 30 days”.</i></p>
<input checked="" type="checkbox"/>	<p><b>Never</b> tell a borrower to stop making payments. If you are unable to accept payments due to foreclosure status, the borrower should be advised to place those payments aside to use toward a workout option.</p>

## Loss Mitigation: Alternatives to Foreclosure Evaluation Hierarchy

The following information provides an overview of the Evaluation Hierarchy in the Guide Section 9201.2.



If a borrower who is current or less than 31 days delinquent contacts the Servicer for loss mitigation assistance, the Servicer must first evaluate the borrower for eligibility for a Freddie Mac Relief Refinance Mortgage<sup>SM</sup> – Same Servicer or advise the borrower of the availability of the Freddie Mac Relief Refinance Mortgage<sup>SM</sup> – Open Access offering (refer to Guide Chapters 4302 and 4303).

If the borrower is not eligible for a Freddie Mac Relief Refinance Mortgage, then the Servicer must first evaluate the borrower for a reinstatement, relief or workout option as set forth in Guide Chapter 9203.

If a reinstatement or relief option as provided in Chapter 9203 is not appropriate based on borrower circumstances, the borrower may qualify for a workout option under the Guide. The Servicer must consider a borrower for workout options in the following sequence:

- A borrower must first be considered for a modification under the federal government's Home Affordable Modification Program (HAMP) in accordance with the requirements of Guide Chapter 9205.
- If a borrower is ineligible for HAMP, does not accept a HAMP Trial Period Plan offer, or fails to complete a HAMP modification, the Servicer must next consider the borrower for a Freddie Mac Standard Modification ("Standard Modification") in accordance with the requirements of Guide Chapter 9206.
- If a borrower is ineligible for, does not accept, or fails to complete a modification, the Servicer must next consider the borrower for a Freddie Mac Standard Short Sale ("Standard Short Sale") pursuant to Guide Chapter 9208.
- If a borrower is ineligible for a Standard Short Sale or a Standard Short Sale is not a viable option, the Servicer must next consider the borrower for a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("Standard Deed-in-Lieu") in accordance with the requirements of Guide Chapter 9209.

When a borrower becomes 90 days delinquent, the Servicer must determine if the borrower is eligible for a Freddie Mac Streamlined Modification ("Streamlined Modification") in accordance with Guide Section 9206.3 and, if eligible, solicit the borrower for such modification in accordance with Guide Section 9102.5.

Note: If the borrower's hardship is the result of an Eligible Disaster but the borrower indicates he or she is able to resume making the existing contractual monthly payments on the mortgage, the Servicer must evaluate the borrower for a Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification" – *not included in graphic on previous page*) as provided in Guide Section 9206.4, if reinstatement or a repayment plan is not a viable option.

If the borrower's hardship is one of the four listed below and the borrower has indicated a desire to sell or vacate the property, the Servicer may consider the borrower for a Standard Short Sale without first evaluating the borrower for a home retention option; however, the Servicer must ensure that the borrower is aware that a home retention option may be possible:

- Death of a borrower or death of the primary or secondary wage earner in the household.
- Long-term or permanent disability; serious illness of a borrower/co-borrower or dependent family member.
- Divorce or legal separation; separation of borrower unrelated by marriage, civil union or similar domestic partnership under applicable law.
- Distant employment transfer, including Permanent Change of Station orders or relocation due to new employment, where the transfer or new employment location is greater than 50 miles one-way from the borrower's current primary residence.

If the borrower is not eligible for a relief or workout option, but the Servicer believes that a relief or workout option is still the best solution to the delinquency, then the Servicer may submit a recommendation to Freddie Mac for review along with the reason for the recommendation, in accordance with the submission procedures in the relevant chapters for relief or workout options.

Additionally, Freddie Mac has a charge-off option available to cease collection and loss mitigation activities on a mortgage, under certain conditions. (See Guide Sections 9210.1 through 9210.6 for requirements related to the charge-off option.)

### Minimum Collection Efforts

The Servicer must, at a minimum:

- Be readily available to the borrower to offer financial counseling and advice on curing the delinquency and explaining alternatives to foreclosure.
- Make personal contact with the borrower as early and often as necessary to promptly cure the delinquency. (Mortgages in bankruptcy or litigation may be excluded if necessary under applicable law, rules of professional responsibility or court rules.) Unmanned automated calls do not constitute an attempt to make personal contact with the borrower.
- Continue to contact the borrower if satisfactory arrangements have not been made to cure the delinquency.
- Issue the breach letter (may also be referred to as the "notice of acceleration" or "demand letter") for all mortgages no later than the 60th day of delinquency. If State law requires the breach letter (or any other pre-breach letter) to be sent prior to the 60th day of delinquency in order to be able to refer the mortgage to foreclosure by the 120th day of delinquency for non-primary residences or, for primary residences – no earlier than the 121st day of delinquency, the Servicer must send the breach letter on such earlier date.
- If the Servicer determines the property is vacant or abandoned pursuant to Guide Section 9202.14, then the Servicer must:
  - Issue a breach letter within 10 days of the determination, provided the mortgage is greater than 30 days delinquent and, in any case, no later than the 60th day of delinquency; and
  - Refer the mortgage to foreclosure after expiration of the breach letter, unless the Servicer establishes quality right party contact with the borrower to resolve the delinquency. Regardless of whether quality right party contact is achieved, the mortgage must be referred to foreclosure no later than the 120th day of delinquency or, for primary residences – no earlier than the 121st day of delinquency.

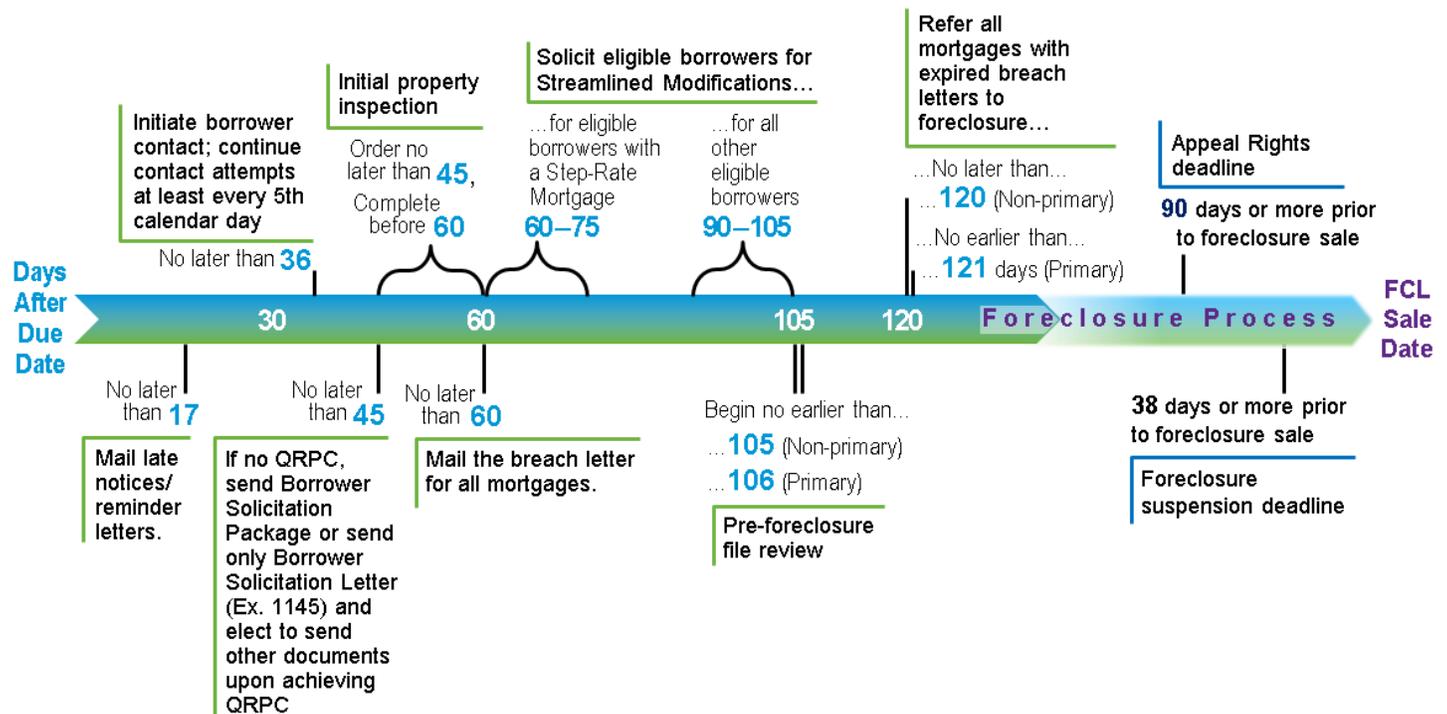
- Contact the lessor for leasehold mortgages and, if required under the terms of a non-disturbance agreement, any lender with a prior lien on the fee simple landowner/lessor's fee simple interest
- Continue skip trace efforts until all reasonable sources have been attempted or contact numbers and addresses have been verified

Servicers that maintain a call center must meet minimum call center performance standards as set forth in Guide Section 9201.5. If the day a Servicer is required to call a borrower is not a business day and the Servicer is not open on such day to conduct loss mitigation and collection activities, the Servicer may call the borrower on the next business day.

In addition to the minimum collection efforts, you must solicit borrowers who are 31 or more days delinquent in accordance with the processes and time lines set forth in Guide Chapter 9102 (e.g., send a borrower solicitation package) to determine the reason for delinquency and solicit them for possible alternatives to foreclosure.

### Minimum Collection Efforts Timeline

This timeline will help you better visualize when the specific servicing requirements should take place within the delinquency period.



### Electronic Default Reporting (EDR)

Report the correct codes for workouts through EDR within the first three business days of the month following the action taken. For a complete list of EDR codes and their definitions, refer to the [EDR Quick Reference Guide](#). The most common codes are listed below.

Report status codes each month until the status no longer applies and report event codes only one time.

Status Codes	
Code	Description
09 Forbearance	<p>Report code 09 when one of the following occurs:</p> <ul style="list-style-type: none"> <li>The borrower is on a short-term, long-term, or unemployment forbearance plan. (For unemployment forbearance, report default reason code 016, Unemployment, with Code 09.)</li> <li>You have been barred from proceeding with foreclosure while a state agency reviews the loan for possible borrower assistance (generally a 60-day period).</li> <li>The borrower is in a HAMP Trial Period Plan. (Report default reason code HMP, Home Affordable Modification Program, with default action code 09.)</li> </ul> <p>Report the forbearance plan start date, or the date the state agency notified you to cease collections/foreclosure activities, each month while the status is relevant. Note: With the exception of HAMP Trial Period Plans and related HAMP interim months, do not report code 09 with any other Trial Period Plan reporting, such as Standard Modification or Streamlined Modification Trial Period Plans.</p>
12 Repayment Plan	<p>Report code 12 when you receive the initial repayment plan payment from the borrower. Report the date you received the initial repayment plan payment.</p> <ul style="list-style-type: none"> <li>Report repayment plans regardless of whether the plan is in writing or an oral agreement.</li> <li>Repayment plans must be in accordance with the Guide or have prior approval from us.</li> <li>Do not report promises to pay as a repayment plan.</li> </ul>
20 Reinstatement (full or partial)	<p>It is important that you report Trial Period Plan activity accurately and timely via EDR. Accurate and timely Trial Period Plan reporting in accordance with the requirements outlined in the Guide is imperative to many servicing-related activities including, but not limited to, eligibility for workout compensation and effective foreclosure time line management.</p> <p>Report code 20 when funds are applied to advance the DDLPI, except for repayment plans and Trial Period Plans. You must also report code 20 when a loan modification settles. Report the date the funds are applied to your system when reporting code 20 to reflect an actual payment application. Report the date the modification is effective when reporting code 20 for a loan modification settlement. Refer to the <a href="#">EDR Quick Reference Guide</a> for details.</p> <p>When a loan is referred to foreclosure and you report a code 43 - Referred to Foreclosure, the loan can be inactivated through loan-level reporting and you can stop remitting principal and interest. When a borrower fully or partially reinstates the loan, you must report a code 20 to reinstate the loan. You must also activate the loan through loan-level reporting and resume remitting principal and interest.</p>

Event Codes	
Code	Description
AW Date of First Quality Right Party Contact with Delinquent Borrower	Report Code AW to notify us of the date of your first quality right party contact with the borrower. Report the date one time, in the month following when the event took place.
AX Date of Last Quality Right Party Contact with Delinquent Borrower	Report Code AX to notify us of the date of your last quality right party contact with the borrower. Report the date one time, in the month following when the event took place.  If you work with the borrower for several months to attempt to resolve the delinquency, you will report code AX with the date of the last quality right party contact for each month you speak with the borrower.

### Training and Resources

Visit the Learning Center at [www.FreddieMac.com/learn](http://www.FreddieMac.com/learn) to access live and recorded training, quick references and user guides on various default management topics. Two quick references you may find useful are:

- [Delinquency Management for Mortgages Secured by Primary Residences](#)
- [Quality Right Party Contact and Borrower Solicitation](#)