

Bulletin

TO: All Freddie Mac Sellers and Servicers

May 1, 2006

SUBJECT: Revised Selling and Servicing Requirements for Mortgages Affected by Hurricane Katrina and Hurricane Rita

Freddie Mac continues to work with our Sellers and Servicers to monitor the effects of Hurricane Katrina and Hurricane Rita on Mortgages secured by properties located in “eligible Disaster Areas.” Eligible Disaster Areas are those areas comprised of counties or municipalities, including parishes, that have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available. These areas are named by the Federal Emergency Management Agency (FEMA) on its web site.

With our February 10, 2006, *Single-Family Seller/Servicer Guide* (Guide) Bulletin, Freddie Mac established a three-zone methodology and assigned a zone number to each county/parish in the eligible Disaster Areas, enabling us to provide more specific Servicing instructions regarding foreclosure and property preservation activities for Mortgages secured by properties in specific counties/parishes. As a reminder, the three zones established by Freddie Mac are:

- Zone One—minimal to no damage
- Zone Two—moderate damage
- Zone Three—significant damage

With this Bulletin, we are amending temporary selling and Servicing requirements to:

- Expand the application of the three-zone methodology to the temporary selling requirements announced in our September 30, 2005, Guide Bulletin, for Mortgages secured by properties located in eligible Disaster Areas
- Move seven counties/parishes to zones more commensurate with property damage in those areas
- Require Servicers to use the charge-off path in Workout Prospector® II (WP II) to process short payoffs when 95% or more of the debt is being paid off with insurance proceeds
- Extend previously announced temporary Servicing requirements effective for the period from June 1, 2006, through August 31, 2006

The zone designations established by Freddie Mac must be used by Servicers to service Mortgages owned by Freddie Mac and by Sellers to originate Mortgages pursuant to the temporary requirements described in this Bulletin. They should not be used for any other purpose.

SELLING REQUIREMENTS

Effective immediately, with this Bulletin we are:

- Removing the LTV/TLTV/HTLTV ratio limit restrictions announced in our September 30, 2005, Guide Bulletin for all Mortgages secured by properties located in Zone One
- Removing the special collateral requirements announced in our September 30, 2005, Guide Bulletin for properties located in Zone One that are not damaged and announcing that, where applicable, those requirements will not expire on October 3, 2006, but will remain in effect until further notice

The counties/parishes and their assigned zone numbers identified on Attachment 1 of this Bulletin are effective immediately for selling requirements.

As previously announced and except as modified in this Bulletin with respect to the special collateral requirements, the temporary selling requirements in our September 30, 2005, Guide Bulletin, as amended, apply to Mortgages with:

- Note Dates on or after August 30, 2005, through October 3, 2006, for Mortgages affected by Hurricane Katrina, and
- Note Dates on or after September 25, 2005, through October 3, 2006, for Mortgages affected by Hurricane Rita

in any of the following circumstances:

- The Mortgage Premises is located within an eligible Disaster Area
- The Borrower resided within an eligible Disaster Area prior to Hurricane Katrina or Hurricane Rita, but has since relocated
- The Borrower's employer is located within an eligible Disaster Area and the employer's records have been damaged, destroyed or are inaccessible

All temporary selling requirements previously announced in our September 30, 2005, Guide Bulletin as amended in our October 7 and November 8, 2005, Guide Bulletins remain in effect, except as amended by this Bulletin.

LTV/TLTV/HTLTV ratio limits

Freddie Mac's September 30, 2005, Guide Bulletin included LTV/TLTV/HTLTV ratio requirements for Mortgages secured by properties located in Hurricane Katrina and Hurricane Rita eligible Disaster Areas. In our October 7, 2005, Guide Bulletin, we removed the LTV/TLTV/HTLTV ratio limitations for Mortgages secured by properties affected by Hurricane Rita. This Bulletin removes the LTV/TLTV/HTLTV ratio limitations for Mortgages secured by properties affected by Hurricane Katrina if the properties are located in counties/parishes listed in Zone One. The LTV/TLTV/HTLTV ratio limitations stipulated in the September 30, 2005, Guide Bulletin still apply to Mortgages secured by properties located in counties/parishes in Zone Two and Zone Three.

Collateral requirements

Effective immediately, the temporary special collateral requirements announced in Section 1(i) of the September 30, 2005, Guide Bulletin will only apply to:

- Mortgages secured by *damaged* properties located in Zone One
- Mortgages secured by properties located in Zone Two and Zone Three, regardless of the condition of the property

In addition, Freddie Mac is announcing that these temporary special collateral requirements will remain in effect until further notice. We are making this change because future market conditions remain uncertain in the eligible Disaster Areas.

Other selling requirements

Except as set forth in the September 30, 2005, Guide Bulletin (and amended by this Bulletin and the October 7 and November 8, 2005, Guide Bulletins), all requirements in a Seller's Purchase Documents must be met for a Mortgage to be eligible for sale to Freddie Mac.

The selling requirement provisions of this Bulletin are Discretionary Provisions as defined in Section 12.13 of the Guide and Exhibit 26, Discretionary Provisions.

SERVICING REQUIREMENTS

With this Bulletin, we are announcing that effective for the period from June 1 through August 31, 2006, for Mortgages secured by properties located in eligible Disaster Areas, we are:

- Moving four counties/parishes from Zone Two to Zone One, and three counties/parishes from Zone Three to Zone Two
- Instructing Servicers to process short payoff transactions through the charge-off path in WP II when 95% or more of the debt is being paid off with insurance proceeds
- Extending our previously announced credit reporting requirements
- Extending the requirement to obtain prior Freddie Mac approval to resume or initiate foreclosure or eviction proceedings in Zone Two
- Extending the requirement to obtain prior Freddie Mac approval for lender-initiated property preservation activities in Zone Two and Zone Three other than decisions on accessing an abandoned property for insurance claims
- Extending the suspension period on foreclosure and eviction proceedings in Zone Three

We are also announcing August 31, 2006, as the expiration date for the streamlined loan modification process that we originally announced in our October 7, 2005, Guide Bulletin.

Moving counties/parishes to different zones

Freddie Mac continues to evaluate information about the extent of damage in the eligible Disaster Areas. As a result, effective June 1 for Servicing, we are moving seven counties/parishes to zones more commensurate with the property damage in those areas. A revised list of counties/parishes and their assigned zone numbers are identified on Attachment 1 of this Bulletin. The impacted counties/parishes are:

Zone One—minimal to no damage

The counties/parishes listed below have been moved from Zone Two to Zone One:

- Choctaw County, AL
- Marengo County, AL
- Ascension Parish, LA
- St. Martin Parish, LA

Zone Two—moderate damage

The counties/parishes listed below have been moved from Zone Three to Zone Two:

- Baldwin County, AL
- Clarke County, AL
- Washington County, AL

Zone Three—significant damage

The changes are noted above in Zone Two.

Processing short payoff transactions through the charge-off path in WP II

To expedite the short payoff approval process, Servicers must use the charge-off path in WP II to process short payoffs when 95% or more of the debt is being paid off with insurance proceeds. Using the charge-off path in WP II will enable the transaction to be processed and approved more easily and efficiently. Once a transaction is approved, Servicers must release the lien on the property.

In addition to the requirements in this Bulletin, Servicers are reminded that they must comply with the temporary requirements described in our February 10, 2006, Guide Bulletin and all other requirements in Guide Sections B65.35, B65.41 and B65.49 through B65.53.

Credit reporting

To provide Servicers with more time to work with affected Borrowers to resolve delinquencies, we are extending the credit reporting requirements announced in our February 10, 2006, Guide Bulletin through August 31, 2006.

Extending the requirement to obtain prior Freddie Mac approval to resume or initiate foreclosure or eviction proceedings in Zone Two

Servicers must continue to obtain prior Freddie Mac approval on the Form 105, Multipurpose Loan Servicing Transmittal, for resuming or initiating foreclosure or eviction proceedings on properties located in Zone Two.

Obtaining prior Freddie Mac approval for lender-initiated property preservation work in Zone Two and Zone Three

Servicers must continue to obtain prior Freddie Mac approval on the Form 105 for commencement of any lender-initiated property preservation work on properties located in Zone Two and Zone Three other than decisions on accessing an abandoned property for insurance claims. For our requirements with respect to re-keying of properties without prior approval, see our February 10, 2006, Guide Bulletin.

Extending the suspension period on foreclosure and eviction proceedings in Zone Three

Freddie Mac is extending the suspension period on foreclosure and eviction proceedings for Mortgages secured by properties located in Zone Three through August 31, 2006. Servicers are reminded that when the suspension period expires they must obtain prior Freddie Mac approval before initiating or resuming foreclosure proceedings on any Mortgage secured by property located in Zone Three.

Streamlined underwriting requirements for loan modifications ends August 31, 2006

In our October 7, 2005, Guide Bulletin, we announced a temporary streamlined loan modification process for Mortgages secured by properties located in eligible Disaster Areas. We reiterated those requirements in our February 10, 2006, Guide Bulletin. As we approach the one-year anniversary of the hurricanes, we are finding that an increasing number of Borrowers are able to provide the information necessary to allow Servicers to evaluate their situation and to determine if a loan modification is a viable workout solution. Therefore, the temporary streamlined loan modification requirements will expire on August 31, 2006. Beginning September 1, 2006, Servicers must follow existing Guide requirements for submitting and approving workout loan modifications (see Guide Chapter B65).

Individual assessment reminder

Servicers are reminded that regardless of the zone designation assigned to the county/parish in which the property securing a Mortgage is located, they should perform an individual assessment of each Mortgage to determine if forbearance in the form of a suspension or reduction of payments should be extended.

CONCLUSION

We continue to appreciate the efforts of our Seller/Service providers in providing relief to Borrowers who have been affected by Hurricane Katrina and Hurricane Rita, as well as the prudent underwriting practices exercised in evaluating the acceptability of Mortgages sold to Freddie Mac. The information provided by our Seller/Service providers and others in the industry has been key to our efforts to provide the most effective solutions for Borrowers affected by these disasters.

Both selling and Servicing requirements for Hurricane Katrina and Hurricane Rita are available at www.FreddieMac.com/corporate/about/how_we_help/katrina.html.

For answers to questions about the requirements contained in this Bulletin, Freddie Mac Seller/Service providers should call their Freddie Mac Account Manager or (800) FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read 'James J. Cotton', with a stylized flourish at the end.

James J. Cotton
Vice President
Single-Family Marketing

ATTACHMENT 1

ZONE ONE—68 COUNTIES/PARISHES		
Minimal to No Damage		
State	County/Parish	Zone
AL	CHOCTAW	1
AL	GREENE	1
AL	HALE	1
AL	MARENGO	1
AL	PICKENS	1
AL	SUMTER	1
AL	TUSCALOOSA	1
LA	ALLEN	1
LA	ASCENSION	1
LA	EAST BATON ROUGE	1
LA	EAST FELICIANA	1
LA	EVANGELINE	1
LA	IBERVILLE	1
LA	LAFAYETTE	1
LA	LIVINGSTON	1
LA	POINTE COUPEE	1
LA	SABINE	1
LA	ST. LANDRY	1
LA	ST. MARTIN	1
LA	VERNON	1
LA	WEST BATON ROUGE	1
LA	WEST FELICIANA	1
MS	ADAMS	1
MS	AMITE	1
MS	ATTALA	1
MS	CHOCTAW	1
MS	CLAIBORNE	1
MS	COPIAH	1
MS	COVINGTON	1
MS	FRANKLIN	1
MS	HINDS	1
MS	HOLMES	1
MS	HUMPHREYS	1
MS	JEFFERSON	1
MS	JEFFERSON DAVIS	1
MS	KEMPER	1
MS	LAUDERDALE	1
MS	LAWRENCE	1
MS	LEAKE	1
MS	LINCOLN	1
MS	LOWNDES	1
MS	MADISON	1
MS	NESHOBA	1

ZONE ONE (Continued)		
State	County/Parish	Zone
MS	NEWTON	1
MS	NOXUBEE	1
MS	OKTIBBEHA	1
MS	PIKE	1
MS	RANKIN	1
MS	SCOTT	1
MS	SIMPSON	1
MS	SMITH	1
MS	WARREN	1
MS	WILKINSON	1
MS	WINSTON	1
MS	YAZOO	1
TX	ANGELINA	1
TX	BRAZORIA	1
TX	FORT BEND	1
TX	GALVESTON	1
TX	HARRIS	1
TX	MONTGOMERY	1
TX	NACOGDOCHES	1
TX	POLK	1
TX	SAN JACINTO	1
TX	SHELBY	1
TX	TRINITY	1
TX	TYLER	1
TX	WALKER	1
ZONE TWO—33 COUNTIES/PARISHES Moderate Damage		
State	County/Parish	Zone
AL	BALDWIN	2
AL	CLARKE	2
AL	WASHINGTON	2
LA	ACADIA	2
LA	ASSUMPTION	2
LA	BEAUREGARD	2
LA	IBERIA	2
LA	JEFFERSON DAVIS	2
LA	LAFOURCHE	2
LA	ST. CHARLES	2
LA	ST. HELENA	2
LA	ST. JAMES	2
LA	ST. JOHN THE BAPTIST	2

ZONE TWO (Continued)		
State	County/Parish	Zone
LA	ST. MARY	2
LA	TANGIPAHOA	2
LA	TERREBONNE	2
LA	VERMILION	2
LA	WASHINGTON	2
MS	CLARKE	2
MS	FORREST	2
MS	GREENE	2
MS	JASPER	2
MS	JONES	2
MS	LAMAR	2
MS	MARION	2
MS	PERRY	2
MS	WALTHALL	2
MS	WAYNE	2
TX	CHAMBERS	2
TX	HARDIN	2
TX	LIBERTY	2
TX	SABINE	2
TX	SAN AUGUSTINE	2
ZONE THREE—18 COUNTIES/PARISHES Significant Damage		
State	County/Parish	Zone
AL	MOBILE	3
LA	CALCASIEU	3
LA	CAMERON	3
LA	JEFFERSON	3
LA	ORLEANS	3
LA	PLAQUEMINES	3
LA	ST. BERNARD	3
LA	ST. TAMMANY	3
MS	GEORGE	3
MS	HANCOCK	3
MS	HARRISON	3
MS	JACKSON	3
MS	PEARL RIVER	3
MS	STONE	3
TX	JASPER	3
TX	JEFFERSON	3
TX	NEWTON	3
TX	ORANGE	3