

# Bulletin

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**TO:** All Freddie Mac Sellers and Servicers

December 22, 2005

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**SUBJECT:** Additional Servicing Relief Measures for Mortgages Affected by Hurricane Katrina and Hurricane Rita

Over the past few months, Freddie Mac has issued several *Single-Family Seller/Servicer Guide* (Guide) Bulletins that announced temporary requirements for Freddie Mac Sellers and Servicers to assist Borrowers whose lives have been devastated by Hurricane Katrina and Hurricane Rita. Freddie Mac continues to work with its Sellers and Servicers to determine the most effective solutions for Borrowers affected by these disasters.

This Bulletin outlines additional temporary relief measures to help Servicers assist Borrowers with Mortgages secured by properties located in “an eligible Disaster Area.” These areas are 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 this Bulletin, Freddie Mac is announcing that for Mortgages secured by properties in eligible Disaster Areas, we are:

- Extending the special reimbursement of regular monthly delinquent property inspections through March 31, 2006
- Extending the timeframe for submitting reimbursement requests for regular monthly delinquent property inspections from January 31, 2006 to April 30, 2006
- Updating the information that must not be reported to credit repositories through February 28, 2006
- Allowing Servicers to make decisions on accessing an abandoned property for insurance claims

### **Reimbursement of property inspections extended through March 2006**

In our October 7 Bulletin, we required Servicers to suspend all foreclosure proceedings for Mortgages secured by properties located in eligible Disaster Areas as a result of Hurricane Katrina and Hurricane Rita, even if a Mortgage was in default prior to Hurricane Katrina or Hurricane Rita. In our November 30 Bulletin, we extended this foreclosure suspension period to February 28, 2006.

We believe that neither the Servicer nor Borrower should be liable for the incremental cost of the additional inspections performed during the mandatory suspension period. Therefore, we are announcing that we are extending the reimbursement for regular monthly delinquent property inspections that are conducted as a result of this extension of the foreclosure suspension period. We are also extending the timeframe for submitting reimbursement requests from January 31, 2006 to April 30, 2006.

Servicers will be reimbursed for up to one delinquent property inspection per month for the months of January, February and March 2006, at a cost not to exceed \$8 for each inspection. Inspection

reports must continue to be documented as required in Guide Section 64.7. Servicers are reminded of the requirement to complete a distressed property inspection for certain properties by December 31, 2005, as stated in our Bulletin dated November 30, 2005.

In order to receive reimbursement for these inspections, Servicers must provide us with a spreadsheet that includes the loan level list of Mortgages on which the initial distressed and regular monthly delinquency property inspections were completed for the months of October 2005 through March 2006. The spreadsheet must be submitted to [hurricane\\_inspections@freddiemac.com](mailto:hurricane_inspections@freddiemac.com) and must include the following information:

- Freddie Mac loan number
- Servicer loan number
- Property State
- Zip code
- County
- Due Date of Last Paid Installment (DDLPI) as of the current reporting cycle
- Type and date of each inspection
- Total amount due
- Comments

The timing for reimbursement of eligible inspections is as follows:

- Requests for reimbursement of inspections completed in the months of October 2005 through December 2005 can be submitted by January 31, 2006. Reimbursement will occur by March 31, 2006.
- Requests for reimbursement of inspections completed in the months of January 2006 through March 2006 must be submitted by April 30, 2006. Reimbursement will occur by June 30, 2006.
- Requests for reimbursement of all eligible inspections can be submitted at one time by April 30, 2006. Reimbursement will occur by June 30, 2006.

#### **Suspension of reporting of information to credit repositories**

In our November 30, 2005 Bulletin, we announced that for Borrowers with single-family Mortgages secured by property located in an eligible Disaster Area, Freddie Mac Servicers must not report any delinquencies to credit repositories through February 28, 2006.

With this Bulletin, we are updating this announcement to require that, through February 28, 2006, Servicers must not make any report to a credit repository about the following occurrences or loan statuses:

- Delinquent payments
- Repayment plans
- Negotiation of a forbearance plan
- Foreclosure activity
- Acceptance of a deed-in-lieu of foreclosure
- Short payoffs
- Charge-offs

#### **Re-keying of properties without prior approval**

Servicers have informed us that when they file an insurance claim on behalf of a Borrower whose property has been abandoned, an insurance adjuster must inspect the interior of the property. In order to gain access and allow the insurance adjuster to conduct the inspection, an entrance must be re-keyed. Therefore, effective immediately, Servicers may make decisions on re-keying one entrance to a property if all of the following conditions exist:

- The property is abandoned and the entrances to the property are locked.
- There has been no contact with the Borrower.

- The Servicer, on the Borrower's behalf, has filed an insurance claim in accordance with the loan instruments and applicable laws.
- The insurance adjuster cannot gain access to the property without an entrance being re-keyed.
- The Servicer has provided sufficient notice to the Borrower with respect to how to obtain a replacement key.
- The Servicer represents and warrants that the re-keying complies with all requirements of the loan instruments, applicable laws, or insurance claims filing processes.
- The cost of the re-key does not exceed \$60.

If these conditions do not exist, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal, with the following information to their Freddie Mac foreclosure representative for prior approval:

- Servicer's recommendation
- Copy of the distressed property inspection, if completed
- Total debt figures
- Current broker's price opinion (BPO), if applicable
- Insurance adjuster's report with estimate or claim denial, if applicable
- FEMA claim results, if applicable
- Cost estimate for all property preservation work requested, if applicable

In addition to the requirements contained in this Bulletin, Servicers are reminded that they are required to adhere to all Guide requirements for managing distressed properties found in Guide Sections 67.27 through 67.29.

Replacement pages to the Guide will not be issued to include the requirements of this Bulletin. Freddie Mac Servicers should retain a copy of this Bulletin to ensure compliance with our requirements.

## **CONCLUSION**

We believe the temporary relief offered under this Bulletin will help Freddie Mac Servicers meet the needs of Borrowers in the aftermath of these unprecedented natural disasters. We appreciate the understanding and consideration that Freddie Mac Servicers have extended to all Borrowers coping with Hurricane Katrina- and Hurricane Rita-related hardships.

Freddie Mac will continue to work with its Servicers to determine 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](http://www.FreddieMac.com/corporate/about/how_we_help/katrina.html).

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

Sincerely,



James J. Cotton  
Vice President  
Single-Family Marketing