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EarlyIndicator® Work Rules Agreement

This document provides work rules for servicing mortgages while using EarlyIndicator. These work rules constitute an amendment of the Freddie Mac Seller/Servicer Guide (the “Guide”) for Servicer as named below. Some of the work rules are inconsistent with the terms of the Guide and the Guide does not currently address some work rules.

In order to qualify to use these work rules, you must also agree to provide or have your service bureau provide a sample input file of the data used to produce EarlyIndicator scores so that Freddie Mac can conduct a diagnostic review of this data.

By executing this document, you are agreeing to the terms of this document and to use the work rules for a period of one year. You are also agreeing to comply with the Guide except to the extent modified by these work rules. Once you execute this document, you should send the original executed document to Freddie Mac, attention Paul Downing, 8000 Jones Branch Drive, Mailstop 341, McLean, VA 22102-3110. The original document will be executed by Freddie Mac and returned to you when the diagnostic review has successfully been completed. The work rules become effective the date this document is executed by Freddie Mac.

If you are interested in discussing any modifications to these work rules, please call Paul Downing at 703-903-3098 or e-mail paul_downing@freddiemac.com.

Notwithstanding the term, Freddie Mac reserves the right to amend or terminate these work rules at any time by providing written notice to your organization.

Acknowledged by [Servicer Name]

Signature

Name

Title

Date

Acknowledged by Freddie Mac

Signature

Name

Title

Date

DEFINITIONS

Right Party Contact – right party contact has been achieved when contact is made with a delinquent borrower in which the delinquency and its resolution are discussed or attempted to be discussed. Messages on phone machines and conversations with parties not able to discuss the delinquency are not considered right party contact.

Productive Contact – contact that results in a positive action to resolve the delinquency. For example, negotiation of a promise to pay, a repayment plan, or counseling that results in a potential foreclosure alternative.

Non-productive Contact – right party contact that results in no cooperation or no ability to resolve the delinquency.

Acceleration Notice – also known as a Demand or a Breach letter. This is the notice required by the note and mortgage, which notifies the borrower that the full amount of principal and interest must be paid immediately if the overdue amounts are not paid by a certain date.

Foreclosure alternative notice – also known as a loss mitigation solicitation letter. This is a notice that informs a delinquent borrower of the willingness of a servicer to explore with the borrower options that may be available in lieu of foreclosure.

EARLYINDICATOR VERSION 5.0 SCORES

One of two types of scores will be generated for each loan – a **Collection Score** or a **Loss Mitigation Score**. Risk categories will be determined based on score range and, in some instances, other specific criteria. Work rules are intended to be applied to the loans based on risk category.

The score thresholds that determine risk are outlined below.

COLLECTION SCORE	LOSS MITIGATION SCORE
1) Used on loans that are one payment due or <29 days delinquent	1) Used on loans that are two or more payments due or >29 days delinquent
2) Risk Categories: High Risk = Score of 000 – 070 Low Risk = Score of 097 – 099 (Note: there are no collection scores equal to 071-096)	2) Risk Categories: Very High Risk = 101 – 200 High Risk = 201 – 360 Low Risk = 361 – 390 Very Low Risk = 391 – 400
	3) Other High Risk Loans 2-4 unit* loans – if the mortgage is secured by a 2-4 unit property, high-risk work rules will apply. Vacant Properties – once a loan has been identified as a vacant property, the high-risk work rules will apply. Non-owner Occupied Properties – the servicer should not rely on the occupancy status at origination. Although occupancy status can be determined in various ways throughout the life cycle of the loan, efforts must be made to validate the occupancy status with the most current property inspection. Once a loan has been identified as a non-owner occupied property, the high-risk work rules will apply.
	*If a servicer is unable to identify a 2-4 unit loan on their system, Freddie Mac will provide a one-time data files of all Freddie Mac 2-4 unit properties for that servicer.

EARLYINDICATOR WORK RULES

- I. **Unscored Loans** – loans that do not generate a loss mitigation score must be treated as high risk unless the loan has an origination date prior to and including 1975.
- II. **Loan Modifications** – requirements for loans that have been modified under the Loan Modification Program will not be affected by these work rules and requirements under the Guide will apply.
- III. **Late Notices** – a late notice is only required if necessary to comply with state and local laws.
- IV. **Borrower Contact** – one payment due:

	<u>High Risk at Day 16</u>	<u>Low Risk</u>
Calls Must Begin:	Day 17 of delinquency	Servicer discretion
Must Be Called By:	Day 29 of delinquency	Servicer discretion

V. **Loans Two or More Payments Due**

ALL RISK CATEGORIES ARE DETERMINED BY THE SCORE GENERATED WHEN LOANS BECOME TWO PAYMENTS PAST DUE UTILIZING THE LOSS MITIGATION MODEL.

Borrower Contact – (30 – 60 days delinquent):

	<u>High Risk at Day 30</u>	<u>Low Risk</u>
Calls Must Begin By:	Day 32 of delinquency	Day 46 of delinquency
Must Be Called By:	Day 45 of delinquency	Day 60 of delinquency

Property Inspections

Property inspections are not required to be ordered for loans that are two or three payments due AND have scores ranging from 391 – 400 (**Very Low Risk**) regardless of whether right party contact was achieved. If, however, the borrower becomes four payments due, regardless of score, a property inspection must be received by the 105th day of delinquency.

For loans that become two payments due and whose scores range from 101 – 390, if productive contact is achieved by the 45th day of delinquency, the Servicer may delay the ordering and receipt of a property inspection as indicated below. If no right party contact is achieved or if right party contact results in a non-productive contact, then the property inspection must be ordered as indicated under the “No Contact/Non-Productive” column.

	<u>NO CONTACT/ NON-PRODUCTIVE</u>	<u>PRODUCTIVE CONTACT</u>	
		<u>High Risk at Day 30/60</u>	<u>Low Risk</u>
Date Ordered:	Day 45 of delinquency	Day 60 of delinquency	Servicer discretion
Date Due:	Day 60 of delinquency	Day 75 of delinquency	By day 105
Frequency:	Monthly	Monthly	Monthly

Acceleration Notice

Unless a repayment plan is in place or other arrangements to resolve the delinquency have been made, the following applies:

	<u>High Risk at Day 30</u>	<u>High Risk at Day 60</u>	<u>Low Risk</u>
Send Notice No Later Than:	Day 45 of delinquency	Day 60 of delinquency	Day 60

Foreclosure Alternative Notice

Unless the Servicer has determined and documented that a foreclosure alternative is not a viable option or if the borrower is performing under a repayment plan, the following applies:

The notice should be sent 10 (ten) days from the date the Acceleration Notice was sent:

	<u>High Risk at Day 30</u>	<u>High Risk at Day 60</u>	<u>Low Risk</u>
Send Notice No Later Than:	Day 55 of delinquency	Day 75 of delinquency	Servicer discretion

Follow up calls to borrowers who have been sent a Foreclosure Alternative Notice must be made within 10 (ten) days from the date the Foreclosure Alternative Notice was sent.

Foreclosure Initiation

	<u>High Risk at Day 30</u>	<u>High Risk and Low Risk at Day 60</u>
Initiate Foreclosure No Later Than:	Day 90 of delinquency	Day 120 of delinquency