Freddie Mac
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Bulletin

NUMBER: 2010-1

TO: All Freddie Mac Servicers January 22, 2010

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are:

- Announcing the following changes to the **Home Affordable Modification Program (HAMP)**:
  - Introducing Freddie Mac's Imminent Default Indicator™, a new HAMP servicing tool that Servicers must use as part of the imminent default evaluation, and revising our requirements for determining imminent default:
    - To require that Borrowers who are current or less than 60 days delinquent be evaluated for imminent default before being considered for a HAMP Trial Period Plan
    - To provide revised imminent default evaluation and process requirements
    - To provide additional guidance with respect to the income documentation and verification requirements for Borrowers who must be evaluated for imminent default
  - Providing additional requirements on the implementation of the HAMP 2009-2010 Conversion Campaign ("Conversion Campaign") frequently asked question (FAQ) #1222-01
  - Reminding Servicers that they must implement and comply with the requirements of the critical, permanent HAMP waiver announced by the United States Department of the Treasury ("Treasury") on **December 16, 2009**, with respect to the elimination of the 25% Trial Period restart rule
  - Reminding Servicers that they must comply with the requirements of Supplemental Directive 09-10, *Temporary Review Period for Active Trial Modifications Scheduled to Expire on or before January 31, 2010* ("SD 09-10"), announced by Treasury on **December 23, 2009**
- Announcing the revision of our Servicing requirements on **all Mortgages being modified** to eliminate the requirement for Servicers to obtain a subordination agreement from any junior lienholders unless the title insurer requires it to issue a title endorsement. This change is applicable to modifications completed under Guide Chapter C65, *Home Affordable Modification Program*, or Chapter B65, *Workout Options*.

EFFECTIVE DATES

All changes included in this Bulletin are effective immediately except as otherwise noted.

IMMINENT DEFAULT

With Bulletin 2009-10 (Home Affordable Modification Program), we provided Servicers with the criteria for determining whether a Borrower is in imminent default, which include a manual calculation of the Borrower's Debt Coverage Ratio ("DCR Ratio") and a Cash Reserves test.

With this Bulletin, we are making several changes to our requirements for determining imminent default, including:

- Mandating the use of Imminent Default Indicator
- Requiring that Borrowers who are current or less than 60 days delinquent be evaluated for imminent default before being considered for a HAMP Trial Period Plan
- Providing new imminent default evaluation and process requirements, eliminating the existing DCR Ratio test, and revising the Cash Reserves requirements

The complete revised imminent default requirements are described in Attachment A, *Determining Imminent Default Under Single-Family Seller/Servicer Guide Section C65.4*, attached to, and made a part of, this Bulletin. Effective for new imminent default evaluations conducted on or after **March 1, 2010**, Servicers should only look to the requirements in Attachment A.

Imminent Default Indicator

Overview

Imminent Default Indicator is a new Freddie Mac HAMP servicing tool that uses statistical models and economic data in conjunction with specific data elements submitted by the Servicer to help determine whether a Borrower of a Freddie Mac Mortgage is in imminent default. Imminent Default Indicator must be used as part of any new imminent default evaluation conducted on or after **March 1, 2010**.

When used in accordance with the requirements of this Bulletin, Imminent Default Indicator is designed to:

- Provide a consistent and standard approach to evaluating whether Borrowers with Cash Reserves below the threshold are in imminent default
- Help Servicers perform their due diligence to better assess a distinct Borrower risk profile
- Assist Servicers with determining whether a key segment of the market is eligible for HAMP consideration: Borrowers who are likely to lose their property and yet are either current on their Mortgage but are having difficulty making their payments or who have already missed one payment

Access to and use of Imminent Default Indicator

Once available, Imminent Default Indicator will be accessible from Freddie Mac's Servicing Technology Tools web site at **http://www.freddiemac.com/singlefamily/service/tools.html**. Servicers must access Imminent Default Indicator using their existing Workout Prospector® user ID and password. An updated version of the Imminent Default Indicator Technical Specifications is available on our HAMP web site.

An Imminent Default Indicator users' guide will soon be available on our HAMP web site. The users' guide will provide instructions on data elements and file formats, uploading an input file, downloading the output file and understanding error messages.

License Agreement

With this Bulletin, we are adding new Exhibit 90, *Imminent Default Indicator™ License Agreement*, to the Guide. Servicers using Imminent Default Indicator are deemed to be bound by all of the provisions of Exhibit 90 to the same degree as if they had signed such agreement as a "Licensee."

Imminent default evaluation for Borrowers who are current or less than 60 days delinquent

Currently, Borrowers who are current or less than 31 days delinquent must be determined to be in imminent default before being considered for a HAMP Trial Period Plan. Effective **March 1, 2010**, Borrowers who are **current or less than 60 days delinquent** must be determined to be in imminent default before being considered for a HAMP Trial Period Plan. An imminent default evaluation is necessary when the status of the Mortgage is current or less than 60 days delinquent as of the date the Servicer performs the initial evaluation of the Borrower's financial condition using the Cash Reserves test and the Imminent Default Indicator test as described below.

This change does not affect our requirement that Servicers must solicit Borrowers who are 31 days or more delinquent for a modification under HAMP. However, if a Borrower who is between 31 and 59 days, inclusive, delinquent responds to a solicitation, the Servicer must determine that the Borrower is in imminent default before considering the Borrower for a HAMP Trial Period Plan. As a reminder, pursuant to Guide Section C65.5:

- Borrowers who are current or less than 31 days delinquent and contact the Servicer to inquire about HAMP eligibility must first be evaluated for eligibility for a Freddie Mac Relief Refinance Mortgage[SM] (refer to Chapter A24, *Freddie Mac Relief Refinance Mortgages – Same Servicer*)
- Servicers may not solicit a Borrower who is current or less than 31 days delinquent for a modification under HAMP

The standards for determining "imminent default" for purposes of HAMP eligibility under Chapter C65 do not alter the definition of "default" under the Mortgage documents.

Revised imminent default evaluation requirements and process

General requirements

A Servicer may only make a determination of imminent default based on verified information documented in accordance with Attachment A, and may not offer a Borrower who is current or less than 60 days delinquent a HAMP Trial Period Plan based on stated income, subject to one exception for certain wage earners as set forth below. Until the Servicer has verified eligibility based on its receipt and review of all required income and other documentation in accordance with Chapter C65, as amended by Bulletins 2009-26, 2009-28 and Attachment A, the Servicer may not send the Borrower any of the following approval documents:

- Form 1117, *Home Affordable Modification Program Trial Period Plan Notice (Verified Income)*
- HAMP approval letter pursuant to the Servicer Response requirements of Supplemental Directive 09-07, *Home Affordable Modification Program – Streamlined Borrower Evaluation Process* ("SD 09-07"), announced by Treasury on October 8, 2009
- Form 3157, *Home Affordable Modification Agreement*

Exception for wage earners with non-wage, passive income of less than $100

Servicers may perform an initial imminent default evaluation for Borrowers whose income is from wages (or wages plus other passive and non-wage income of less than $100 per month) as stated on Form 1114, *Making Home Affordable Program Request for Modification and Affidavit* ("RMA"). When doing so, the Servicer must verify the Borrower's wage income with the Borrower's two most recent pay stubs, which must reflect year-to-date earnings.

Upon verification of the wage income, the Servicer may conduct the initial imminent default evaluation using the wage income from the pay stubs, and the non-wage, passive income and Cash Reserves information stated on the RMA. If the Servicer preliminarily determines the Borrower to be in imminent default and eligible for HAMP, the Servicer may start the Borrower in a Trial Period by sending the Borrower Form 1116, *Trial Period Plan Notice - Stated Income*.

However, the Servicer must complete the verification of the Borrower's imminent default status and confirm the Borrower's continued eligibility for a modification under HAMP during the Trial Period by reviewing the Borrower's tax transcript or tax return and any other required documentation (including documentation for all passive and non-wage income) to verify that all eligible income and Cash Reserves were used in the determination of imminent default before sending the Borrower any of the approval documents set forth above.

Revised imminent default evaluation process

The revised imminent default evaluation process is as follows:

- **Cash Reserves test** – The Servicer must verify that the Borrower has less than $25,000 in Cash Reserves before continuing with the imminent default evaluation. If the Borrower's Cash Reserves are equal to or greater than $25,000, then the Borrower is not in imminent default.
- **Imminent Default Indicator test** – Once the Servicer has determined that the Borrower's Cash Reserves are less than $25,000, the Servicer must continue the imminent default evaluation using Imminent Default Indicator. If the Imminent Default Indicator result equals "1," then the Servicer's imminent default evaluation of the Borrower is complete and the Servicer must proceed to evaluate the Borrower for a modification under HAMP in accordance with the requirements of Chapter C65. If the Imminent Default Indicator result equals "2," then the Servicer must proceed to the third test (i.e., the Imminent Default Hardship test) to determine if the hardship that the Borrower is experiencing qualifies as one of the specific Imminent Default Hardships. A Servicer **may not** skip the Imminent Default Indicator evaluation of the Borrower and proceed straight to the Imminent Default Hardship test as part of the evaluation.
- **Imminent Default Hardship test** – When the Borrower's Cash Reserves are less than $25,000 and the Imminent Default Indicator result is "2," the Servicer must validate whether the Borrower is experiencing a specific type of HAMP hardship that occurred after the Mortgage was originated, which currently causes, and is expected to continue to cause, a long-term or permanent decrease in income or an increase in expenses ("Imminent Default Hardship"). An Imminent Default Hardship must be one of the following:
  - Death of the Borrower or co-Borrower;
  - Long-term or permanent disability or illness of the Borrower or co-Borrower or dependent family member (in accordance with the Internal Revenue Service's definition of dependent);
  - Divorce or legally-documented separation of the Borrower and co-Borrower;
  - Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law

If a Borrower who is current or less than 60 days delinquent does not meet the requirements of the sequential imminent default evaluation described above, then he or she is not in imminent default and is ineligible for a modification under HAMP. In this case, the Servicer must consider the Borrower for other alternatives to foreclosure as offered under the Guide.

Refer to **Attachment A*, Determining Imminent Default Under Single-Family Seller/Servicer Guide Section C65.4,*** for the complete requirements for evaluating a Borrower for imminent default.

As a reminder, for new HAMP evaluations conducted on and after **March 1, 2010**, Servicers may no longer use Form 1126, *Borrower Financial Information,* when it is received after March 1, 2010 to collect a Borrower's financial information in lieu of the RMA.

Effective date of revised imminent default evaluation and process requirements

The revised requirements described above are effective for all new imminent default evaluations conducted on and after **March 1, 2010**. If a Borrower was determined to be in imminent default based on stated income and using the DCR Ratio and Cash Reserves test prior to March 1, 2010, then the Servicer must reevaluate the Borrower using the same imminent default test used for the initial HAMP evaluation once income documentation is received and verified. Servicers must continue to process Borrowers who were 31-59 days delinquent and determined to be eligible for HAMP prior to March 1, 2010, under the eligibility requirements in effect at the time of the initial evaluation.

Submitting data into Workout Prospector®

As a reminder, when submitting data into Workout Prospector for any Mortgage being evaluated for HAMP, Servicers must ensure that the evaluation date in Workout Prospector accurately reflects the date

of the initial evaluation of the Mortgage. Beginning with new evaluations on or after **March 1, 2010**, Servicers must also enter the Imminent Default Indicator result and the Imminent Default Hardship reason, if applicable, into Workout Prospector.

Income documentation and verification requirements for imminent default

In Bulletin 2009-28, Freddie Mac announced changes to the income documentation and verification requirements for imminent default evaluations that became effective immediately. With this Bulletin, we are announcing additional guidance for the income documentation requirements for Borrowers who must first be evaluated for imminent default.

In addition to the income documentation and verification requirements provided in Bulletin 2009-28, effective **March 1, 2010**, Servicers must also use the income documentation and verification requirements provided in SD 09-07 for Borrowers who are current or less than 60 days delinquent, subject to the following exceptions:

- **Unemployment benefits -** For purposes of evaluating a Borrower for imminent default only, a Servicer **may not** include unemployment income in the calculation of the Borrower's monthly gross income when calculating the total monthly debt payment-to-income ratio for input into Imminent Default Indicator; however, the Servicer must consider unemployment income, in accordance with SD 09-07, when calculating the Borrower's Target Payment.
- **Verification of passive and non-wage income -** The 20% threshold for passive and non-wage income provided in SD 09-07 **does not** apply when evaluating a Borrower for imminent default.

Refer to Attachment A, *Determining Imminent Default Under Single-Family Seller/Servicer Guide Section C65.4*, for complete requirements related to the income documentation and verification requirements for Borrowers who must first be evaluated for imminent default.

REQUIREMENTS SPECIFIC TO CONVERSION CAMPAIGN FAQ #1222-01

Conversion Campaign FAQ #1222-01 requires Servicers to modify certain eligible Borrowers retroactively to the date they should have been modified subject to investor restrictions and to undertake, among other steps to effect the modification, the following:

> "any payments made by the borrower after the Modification Effective Date until the time of conversion should be applied retroactively in accordance with the modified terms; however, any shortfalls between the actual payments made by the borrower after the Modification Effective Date (including any missed payments) and payments that are due under the modified terms until the time of conversion, must be advanced by the servicer, capitalized and deferred as a non-interest bearing amount, that is due and payable by the borrower at the time of payoff, maturity or transfer. The servicer may collect this amount subject to the restrictions as the investor may establish including, but not limited to, restrictions on collecting this amount in the event of a short payoff or other disposition of the loan."

With respect to amounts that Servicers are required to advance to Freddie Mac for any shortfalls, Freddie Mac is imposing the following additional requirements on the Servicer's collection of the amount advanced for shortfalls under this Conversion Campaign FAQ #1222-01:

- Amounts advanced for shortfalls may only be collected from the Borrower in connection with a full payoff of the Mortgage. Freddie Mac may impose additional restrictions on collection of this amount.
- A Servicer may not collect amounts advanced for shortfalls in the event Freddie Mac approves a short sale, short payoff or charge-off of the Mortgage or otherwise disposes of the Mortgage

In addition, Servicers must maintain such amounts advanced for shortfalls and deferred as non-interesting bearing amounts in an account that is separate from any amounts deferred as a result of a partial principal forbearance. Servicers must not include such amounts in the Servicer's monthly loan-level reporting to

Freddie Mac, nor collect such amounts by increasing the unpaid principal balance via a negative principal reduction transaction.

CRITICAL PERMANENT HAMP PROGRAM WAIVER

Supplemental Directive 09-01 ("SD 09-01"), announced by Treasury on April 6, 2009, required Borrowers to be reevaluated for a HAMP Trial Period if their verified income, evidenced by documentation, exceeded the initial income information used by the Servicer to place the Borrower in a Trial Period by more than 25%. If the reevaluation determined that the Borrower was still eligible for a modification under HAMP, a restart of the Trial Period would have been required.

On December 16, 2009, Treasury issued a permanent waiver that provided that a Servicer should no longer require a Borrower to **restart the Trial Period** in cases where the Borrower's verified income exceeds the initial stated income by more than 25%. Such Borrowers may continue on their existing Trial Period Plans, provided the Servicer determines that the Borrower remains eligible for HAMP based on a review of verified income information and documentation. The Borrower's Trial Period payments would not be adjusted; however, the permanent modification terms must be based on the Borrower's higher verified income.

Servicers must implement this waiver when determining continued eligibility upon receipt of income documentation. With respect to Borrowers in existing Trial Periods based on stated income, Servicers may not require a restart of the Trial Period upon verification of income. Further, for Borrowers who previously have been required to restart a Trial Period, Servicers **may, but are not required to**, apply this waiver retroactively.

Workout Prospector will be updated in the near future to incorporate this waiver. In the interim, Servicers must follow the process communicated in our Single-Family Advisory e-mail dated December 16, 2009.

SUPPLEMENTAL DIRECTIVE 09-10

On December 23, 2009, Treasury announced SD 09-10, *Temporary Review Period for Active Trial Modifications Scheduled to Expire on or Before January 31, 2010*, which established a temporary review period for all active Trial Period Plans scheduled to expire on or before **January 31, 2010**. The review period provides Servicers with additional time to process the large volume of Mortgages in active Trial Periods and remain focused on converting Trial Period Plans into permanent HAMP modifications. During the review period, Servicers must continue to work to make eligibility determinations; however, they may not cancel an active HAMP Trial Period Plan during this time for any reason other than failure to meet the HAMP property eligibility requirements.

As announced in our Single-Family Advisory e-mail on December 23, 2009, Freddie Mac Servicers must comply with the requirements of this Supplemental Directive that became immediately effective on December 23, 2009, when servicing Mortgages for Freddie Mac. Servicers should refer to SD 09-10 for complete requirements and additional information with respect to this temporary review period.

OBTAINING SUBORDINATION AGREEMENTS ON MODIFIED MORTGAGES

We are revising our loan modification requirements on **all Mortgages being modified** to eliminate the requirement for Servicers to obtain a subordination agreement from any junior lienholders unless the title insurer requires a subordination agreement. This change applies to modifications completed under Chapter C65 or Chapter B65.

Servicers are reminded that they must follow all other requirements of Chapter C65 or Chapter B65 as modified by this Bulletin and Bulletin 2009-28 to ensure that the modified Mortgage retains First Lien position.

BULLETIN ATTACHMENTS

Attachment A, *Determining Imminent Default Under Single-Family Seller/Servicer Guide Section C65.4*, has been published with this Bulletin and contains additional HAMP requirements.

GUIDE REVISIONS

Chapters B65, C65, Exhibit 88 and other applicable Guide sections will be updated in a future Bulletin to reflect these changes. The Guide has been updated to include new Exhibit 90.

CONCLUSION

Freddie Mac remains focused on assisting troubled Borrowers with Freddie Mac-owned Mortgages avoid preventable foreclosure. The changes announced in this Bulletin are part of our ongoing efforts to promote sustainable homeownership and stabilize communities and neighborhoods across the nation.

If after reviewing this Bulletin you have any questions about HAMP or Freddie Mac's role in the Program, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Determining Imminent Default Under *Single-Family Seller/Servicer Guide* Section C65.4

Effective for all new imminent default evaluations on or after March 1, 2010

(a) Overview

Borrowers who are current or less than 60 days delinquent that claim an eligible Home Affordable Modification Program (HAMP) hardship, and that otherwise appear to meet the eligibility criteria for HAMP pursuant to *Single-Family Seller/Servicer Guide* ("Guide") Chapter C65, must first be determined to be in imminent default in accordance with this Attachment A before being considered for a HAMP Trial Period Plan.

An imminent default evaluation is necessary when the status of the Mortgage is current or less than 60 days delinquent, as of the date the Servicer performs the initial evaluation of the Borrower's financial condition using the Cash Reserves test and the Imminent Default Indicator™ test as described below. The Servicer must rely on the same Mortgage status used to initiate the imminent default evaluation to complete the imminent default determination process, regardless of whether the Borrower becomes 60 days or more delinquent during the course of the process.

Borrowers who were evaluated for imminent default and preliminarily determined to be eligible to receive a stated income Trial Period Plan offer prior to March 1, 2010, should continue to be evaluated under the imminent default requirements in effect at the time of the initial imminent default evaluation upon receipt of income and other required documentation.

Pursuant to Guide Section C65.5, Servicers may not solicit Borrowers who are current or less than 31 days delinquent for a modification under HAMP. Such Borrowers must contact Servicers to specifically request a modification and must first be screened for a Freddie Mac Relief Refinance Mortgage℠ (refer to Chapter A24, *Freddie Mac Relief Refinance Mortgages – Same Servicer*). If the Borrower is not eligible for a Freddie Mac Relief Refinance Mortgage, the Servicer must then determine whether the Borrower is in imminent default prior to evaluating the Borrower for a HAMP Trial Period Plan.

In the process of making a determination of imminent default, the Servicer must evaluate the Borrower's financial condition in light of the Borrower's hardship and inquire about any circumstances affecting the property securing the Mortgage. The Borrower must identify the hardship type and detail the circumstances of the hardship on the signed and completed MHA Making Home Affordable Program Request for Modification and Affidavit ("RMA"). If the Servicer determines, based on a review of the documentation, that the Borrower has not experienced a hardship, then the Borrower is not eligible for modification under HAMP.

A Borrower who is current or less than 60 days delinquent at the time of the Servicer's initial evaluation is in imminent default if:

- The Borrower's Cash Reserves are less than $25,000 ***and*** the Borrower's Imminent Default Indicator result is "1"; **or**
- The Borrower's Cash Reserves are less than $25,000, the Borrower's Imminent Default Indicator result is "2," and the Borrower can document an imminent default hardship that occurred after the Mortgage was originated and is currently causing, and is expected to continue to cause, a long-term or permanent decrease in income or an increase in expenses ("Imminent Default Hardship"). An Imminent Default Hardship must be one of the following:

- Death of the Borrower or co-Borrower;
- Long-term or permanent disability or illness of the Borrower or co-Borrower or dependent family member (in accordance with the Internal Revenue Service's (IRS) definition of dependent);
- Divorce or legally-documented separation of the Borrower and co-Borrower;
- Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law

(Note: The standards for determining "imminent default" for purposes of HAMP eligibility under Chapter C65 do not alter the definition of "default" under the Mortgage documents.)

(b) Income, asset and Imminent Default Hardship documentation and verification

1. General Requirements

A Servicer may only make a determination of imminent default based on verified information documented in accordance with this Attachment A and may not offer a Borrower who is current or less than 60 days delinquent a HAMP Trial Period Plan based on stated income, subject to one exception for certain wage earners as set forth below. Until the Servicer has verified eligibility based on its receipt and review of all required income and other documentation in accordance with Chapter C65 as amended by Bulletins 2009-26, 2009-28 and this Attachment A, the Servicer may not send the Borrower any of the following approval documents:

- Form 1117, *Home Affordable Modification Program Trial Period Plan Notice (Verified Income)*
- HAMP approval letter pursuant to the Servicer Response requirements of Supplemental Directive 09-07, *Streamlined Borrower Evaluation Process* ("SD 09-07")
- Form 3157, *Home Affordable Modification Agreement*

2. Documentation and verification

Servicers must obtain the Borrower's most recently filed signed federal income tax return or a tax transcript by processing the IRS Form 4506-T, *Request for Transcript of Tax Return* or IRS Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript* ("tax transcript"), which must include information, if any, from all schedules and forms. If a Borrower submits an unsigned tax return, evidence of an electronically filed tax return is considered acceptable to satisfy this requirement; otherwise, the Borrower must sign the tax return.

In order to evaluate a Borrower who is current or less than 60 days delinquent for imminent default, the Servicer must, at a minimum, obtain income documentation and a credit report to verify debt expenses pursuant to SD 09-07, with the following exceptions, before sending the Borrower a Trial Period Plan Notice:

- **Unemployment benefits -** For purposes of evaluating a Borrower for imminent default only, a Servicer **may not** include unemployment income in the calculation of the Borrower's monthly gross income when calculating the total monthly debt payment-to-income ratio for input into Imminent Default Indicator; however, the Servicer must consider unemployment income, in accordance with SD 09-07, when calculating the Borrower's Target Payment.
- **Verification of passive and non-wage income -** The 20% threshold for passive and non-wage income provided in SD 09-07 does not apply when evaluating a Borrower for imminent default.

3. Imminent Default Hardship documentation

In situations where the Borrower must demonstrate an Imminent Default Hardship, as described below, all documentation supporting the Imminent Default Hardship must be submitted before the Borrower can be determined to be in imminent default.

4. Verification of income and assets; resolution of inconsistencies

Servicers must review all Borrower submitted documentation and compare information contained in that documentation to the information in the tax return or tax transcript to identify any inconsistencies. If there are inconsistencies, the Servicer must obtain from the Borrower any other documentation necessary to reconcile the inconsistencies.

If the final verified income, evidenced by all documentation (including a tax return or tax transcript) received from the Borrower, whether received prior to extending a Trial Period offer to the Borrower or during the Trial Period, is greater than the initial income information used by the Servicer to determine imminent default, the Borrower must be reevaluated for imminent default in accordance with the requirements of this Attachment A. If this reevaluation determines that the Borrower is not in imminent default and is therefore not eligible for HAMP, the Servicer must notify the Borrower of that determination in accordance with the Borrower Notice requirements of Supplemental Directive 09-08 and terminate the Trial Period.

5. Exception for wage earners with non-wage, passive income of less than $100

Servicers may perform an initial imminent default evaluation for Borrowers whose income is from wages (or wages plus other passive and non-wage income of less than $100 per month) as stated on the RMA. When doing so, the Servicer must verify the Borrower's wage income with the Borrower's two most recent pay stubs, which must reflect year-to-date earnings.

Upon verification of the wage income, the Servicer may conduct the initial imminent default evaluation using the wage income from the pay stubs, and the non-wage, passive income and Cash Reserves information stated on the RMA. If the Servicer preliminarily determines the Borrower to be in imminent default and eligible for HAMP, the Servicer may start the Borrower in a Trial Period by sending the Borrower Form 1116, *Trial Period Plan Notice - Stated Income*.

However, the Servicer must complete the verification of the Borrower's imminent default status and confirm the Borrower's continued eligibility for a modification under HAMP during the Trial Period by reviewing the Borrower's tax transcript or tax return and any other required documentation (including documentation for all passive and non-wage income) to verify that all eligible income and Cash Reserves were used in the determination of imminent default before sending the Borrower any of the approval documents identified in item (b)1 above.

(c) Cash Reserves test

The Servicer must complete an evaluation of the Borrower's Cash Reserves in accordance with the requirements of this Attachment A. The Borrower **must** have Cash Reserves of less than $25,000 to be further evaluated for imminent default. If the Borrower has Cash Reserves equal to or greater than $25,000, then the Borrower is not in imminent default and therefore ineligible for a modification under HAMP.

1. Definition of Cash Reserves

For purposes of this Attachment A, Cash Reserves are defined as follows:

Cash Reserves: Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange,

National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board Of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k, 403b, 457, IRA or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

2. Calculating and verifying Cash Reserves

The Servicer must calculate and verify the Borrower's Cash Reserves in accordance with the following requirements:

- The Servicer must determine that all of the Borrower(s) Cash Reserves have been accounted for on the RMA and verified.
- In verifying and making the determination that all Cash Reserves have been accounted for, Servicers must review the Borrower's federal income tax return or tax transcript, including information from applicable schedules (i.e., Schedules B - *Interest & Ordinary Dividends*, D - *Capital Gains & Losses*, E - *Supplemental Income & Loss*) and all other available information provided by the Borrower to determine if the asset information stated on the RMA is reasonably consistent with information available from the tax return or tax transcript, or other information. The Servicer must ensure that the Borrower's disclosure of assets is consistent with the interest, dividend income or gain/loss information reflected in the tax return information.

  If, upon reviewing the Borrower's tax return or tax transcript, the Servicer observes interest, dividend income or gains/losses that, in total, could not be reasonably produced by the Borrower's disclosed reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on the RMA, the Servicer must reconcile the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency. The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc).
- If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled with the Borrower, or the required Cash Reserves documentation cannot be obtained from the Borrower, the Borrower cannot be considered in imminent default and is therefore ineligible for a modification under HAMP under these circumstances.

Based on the Cash Reserves test, if the Servicer determines that the Borrower has Cash Reserves greater than or equal to $25,000, the Borrower is not in imminent default and the Servicer may evaluate the Borrower for other available loss mitigation alternatives if the Servicer, based on Freddie Mac's guidelines, determines that the circumstances warrant further consideration.

If the Servicer determines the Borrower has Cash Reserves of less than $25,000, the Servicer must next evaluate the Borrower using Imminent Default Indicator.

(d) Freddie Mac Imminent Default Indicator test

If the Servicer makes a preliminary determination that a Borrower who is current or less than 60 days delinquent has a hardship, is otherwise eligible for evaluation under HAMP, and has Cash Reserves of less than $25,000, the Servicer must evaluate the Borrower for imminent default using Freddie Mac's Imminent Default Indicator.

Imminent Default Indicator requires the submission of a specific set of data elements in order to return a result. Three of the specific data elements that the Servicer must input into Imminent Default Indicator include the Fair, Isaac and Co. (FICO) score, the Borrower's total monthly debt payment-to-income ratio and the property value. These data elements must be determined in accordance with the requirements below.

Imminent Default Credit Score

Servicers must choose one FICO score that is adequately indicative of the credit reputations of all Borrowers currently on the Mortgage. This score, referred to as the "Imminent Default Credit Score," will be input into Imminent Default Indicator and must be obtained and determined in accordance with the requirements below:

1. Obtaining FICO scores for each Borrower

- The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:
  - Equifax Credit Information Services
  - Experian Information Systems and Services
  - TransUnion Credit Information Company
- It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer still is unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as detailed below. If a FICO score is not available for any Borrower on the loan, then Imminent Default Indicator may not be used to evaluate the Borrower. In such instances, the Servicer must (i) maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain FICO scores from all three credit repositories on all Borrowers, and (ii) proceed to the Imminent Default Hardship test below to determine if an Imminent Default Hardship exists.
- The Borrower's FICO score must be less than 90 days old on the date the Servicer performs the Imminent Default Indicator test.

2. Determining the Imminent Default Credit Score

The Servicer must identify the Imminent Default Credit Score to be input into Imminent Default Indicator as described below:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656, 640, the single FICO score

selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.

- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is the score that is input into Imminent Default Indicator as the Imminent Default Credit Score.
- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores (Note: Whichever method is used, the lowest or the average, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws). This score is the Imminent Default Credit Score that must be input into Imminent Default Indicator.

Monthly debt payment-to-income ratio for Imminent Default Indicator

The monthly debt payment-to-income ratio the Servicer inputs into Imminent Default Indicator is calculated by dividing the Borrower(s) total monthly debt payments, determined, verified and documented in accordance with Section C65.6, by the Borrower(s) total monthly gross income, determined, verified and documented as described above. (See item (b) of this Attachment A "Income, asset and Imminent Default Hardship documentation and verification.")

Property value

The current property value that the Servicer must input into Imminent Default Indicator is the property value obtained in accordance with Section C65.6, as amended by Bulletin 2009-28. The property value must be less than 90 days old on the date the Servicer performs the **initial** Treasury NPV test when qualifying the Borrower for a HAMP Trial Period Plan offer. Therefore, a Servicer must ensure that the property value input into Imminent Default Indicator does not subsequently become more than 90 days old by the time the Servicer completes the initial evaluation of the Borrower using the Treasury NPV Model. Servicers may not update the property valuation during the remainder of the Trial Period for any subsequent NPV evaluation.

Imminent Default Indicator results

Freddie Mac will provide Servicers with an output file with an Imminent Default Indicator result.

- If the Imminent Default Indicator result equals "1" and Cash Reserves are less than $25,000, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a modification under HAMP and no further analysis is required by the Servicer to determine imminent default.
- If the Imminent Default Indicator result equals "2" and Cash Reserves are less than $25,000, the Servicer must further evaluate the Borrower using the Imminent Default Hardship test below to determine the Borrower's likelihood of imminent default.

(e) Imminent Default Hardship test

If the Borrower's Cash Reserves are less than $25,000 and the Imminent Default Indicator result equals "2," the Borrower is in imminent default if the Borrower can document that an Imminent Default Hardship occurred since the current Mortgage was originated based on the requirements specified below. The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

An Imminent Default Hardship must be one of the following:

- Death of the Borrower or co-Borrower;
- Long-term or permanent disability or illness of the Borrower or co-Borrower or dependent family member (in accordance with the IRS's definition of dependent);
- Legally documented divorce or separation of the Borrower and co-Borrower;
- Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law

Required Documentation for an Imminent Default Hardship

One or more of the following documents is required to verify each of the following hardship events:

Imminent Default Hardship Event	Documentation for verification of event
Death of Borrower/Co-Borrower	▪ Death certificate; ***or*** ▪ Obituary or newspaper article reporting the death; ***and*** ▪ Income documentation prior to the event compared to income documentation of the remaining Borrower after the event
Long term or permanent disability or illness of Borrower/Co-Borrower or dependent family member	▪ Doctor's certificate of illness or disability; ***and*** ▪ Medical bills; ***or*** ▪ Proof of monthly insurance benefits or government assistance (if applicable); ***or*** ▪ Tax return showing medical deductions above minimum for itemized deductions
Divorce or legally-documented separation of Borrower/Co-Borrower	▪ Divorce decree signed by the court; ***or*** ▪ Current credit report evidencing recorded divorce decree; ***or*** ▪ Separation agreement signed by the court if separation is legally documented by the court; ***or*** ▪ Current credit report evidencing recorded separation agreement; ***and*** ▪ Income or expense documentation prior to the event compared to the income or expense documentation of the remaining Borrower after the event

Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law	▪ Recorded quit claim deed evidencing that the non-occupying Borrower or Co-Borrower has relinquished all rights to the property; ***and*** ▪ Income or expense documentation prior to the event compared to income or expense documentation of the remaining Borrower after the event

If the Imminent Default Hardship documentation confirms that the hardship is an Imminent Default Hardship and the Borrower's Cash Reserves are less than $25,000, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a HAMP Trial Period Plan and no further analysis is required by the Servicer to determine imminent default.

Based on the Imminent Default Hardship evaluation, if the Servicer determines that the Borrower is not in imminent default, the Servicer may evaluate the Borrower for other available loss mitigation alternatives if the Servicer, based on Freddie Mac's guidelines, determines that the circumstances warrant further consideration.

(f) General requirements and information

- If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the underwriting requirements outlined in Section C65.6 to determine if the Borrower qualifies for a HAMP modification.
- The Servicer must comply with all applicable federal, State and local laws when qualifying the Borrower for imminent default or otherwise determining eligibility, including, but not limited to, those laws identified in Section C65.13.
- Servicers must use Imminent Default Indicator, a HAMP servicing tool, subject to the requirements of the Guide (as if Imminent Default Indicator was included in Exhibit 88, *Servicing Tools)*, to evaluate a Borrower who is current or less than 60 days delinquent for imminent default pursuant to the requirements of this Attachment A, and may not use Imminent Default Indicator for any other purpose.

  Imminent Default Indicator will be accessible from Freddie Mac's Servicing Technology Tools web site at **http://www.freddiemac.com/singlefamily/service/tools.html**. Servicers must access Imminent Default Indicator using their existing Workout Prospector user ID and password.

  Imminent Default Indicator requires the submission of specific data elements in order to return a result. The Servicer must ensure that all data input into Imminent Default Indicator is true, complete and accurate and that all data is entered correctly.

  An Imminent Default Indicator users' guide will be available on our web site at **http://www.freddiemac.com/singlefamily/service/mha_modification.html**. The users' guide will describe the data elements and file format requirements for scoring loans, in addition to providing detailed instructions for uploading an input file, downloading the output file and understanding error messages that may be received.
- When using Imminent Default Indicator, Servicers are deemed to be bound by all of the provisions of Exhibit 90, *Imminent Default Indicator™ License Agreement* to the same degree as if they had signed such agreement as a "Licensee."
- When submitting data into Workout Prospector for any Mortgage being evaluated for HAMP, Servicers must ensure that the evaluation date in Workout Prospector accurately reflects the date

of the initial evaluation of the Mortgage. Beginning with new evaluations on or after March 1, 2010, Servicers must also enter the Imminent Default Indicator result and the Imminent Default Hardship reason, if applicable, into Workout Prospector.

(g) Documenting imminent default decisions

A Servicer must document in its servicing system the basis for its determination that a Borrower is in imminent default and retain all documentation and data used to reach its conclusion. The Servicer's documentation must also include any Imminent Default Indicator input and output files and data, information on the Borrower's financial condition and the condition and circumstances of the property securing the Mortgage, pursuant to the requirements described above. (See Section C65.8(i) for additional information regarding documentation retention requirements.)

Bulletin

NUMBER: 2010-2

TO: All Freddie Mac Sellers and Servicers January 28, 2010

SUBJECT: FHA-APPROVED PROJECT REVIEW FOR CONDOMINIUMS

Freddie Mac currently purchases Mortgages secured by Condominium Units located in Condominium Projects approved by other secondary market participants. FHA recently modified its condominium project eligibility requirements. Therefore, with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is revising the Guide to provide that Sellers may *only* use FHA Condominium Project approval to determine that Mortgages secured by units in Condominium Projects are eligible for sale to Freddie Mac for the following Mortgage types:

- FHA Mortgages
- VA Mortgages
- Section 502 Guaranteed Rural Housing (GRH) Mortgages
- U.S. Department of Housing and Urban Development (HUD) Guaranteed Section 184 Native American Mortgages

EFFECTIVE DATE

This change is effective for Condominium Unit Mortgages with applications dated on or after **February 1, 2010.** In addition to the February 1, 2010 effective date for applications, Condominium Unit Mortgages that are not one of the Mortgage types described above, and for which the Condominium Project approval is based only on FHA Condominium Project approval, must have Freddie Mac Settlement Dates on or before **May 31, 2010**.

REVISIONS TO THE GUIDE

Guide Section 42.9, *Reciprocal Project Reviews*, will be revised at a later date to reflect this change.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-3

TO: All Freddie Mac Servicers February 4, 2010

SUBJECT: HOME AFFORDABLE MODIFICATION PROGRAM ("HAMP") SUPPLEMENTAL DIRECTIVE 10-01

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are providing additional guidance with respect to U.S. Department of the Treasury ("Treasury") HAMP **Supplemental Directive 10-01** (*Program Update and Resolution of Active Trial Modifications*) (SD 10-01).

Program Update

The program changes announced in SD 10-01 include the following:

- A HAMP change that eliminates stated income Trial Period Plans and requires **full verification** of Borrower eligibility after the Servicer receives the "Initial Package," which includes the following documentation:
  - Request for Modification and Affidavit (RMA)
  - IRS Form 4506-T, *Request for Transcript of Tax Return*, or 4506T-EZ, *Short Form Request for Individual Tax Return Transcript*
  - Evidence of Income, as described in the section titled *Borrower Income/Asset Documentation and Verification of Eligibility* in SD 10-01
- Servicer timelines for acknowledgement and review of the documents included in the "Initial Package" and Borrower response timelines

These new program requirements apply for all HAMP Trial Period Plans **with effective dates on or after June 1, 2010**. This includes Trial Period Plans **sent** to Borrowers on or after April 16, 2010. Freddie Mac Servicers are strongly encouraged to transition to a verified income process as soon as possible.
We recommend new evaluations, inclusive of the net present value (NPV) evaluation, conducted on or after April 1, 2010, be based on full verification of Borrower eligibility.

Resolution of Active Trial Modifications

In addition, SD 10-01 provides further guidance to assist Servicers in making final HAMP eligibility determinations for Borrowers who are in active Trial Periods, in addition to Trial Periods commenced on or before May 1, 2010, based on stated information.

Important Freddie Mac Requirements Regarding Supplemental Directive 10-01

Freddie Mac Servicers must comply with **SD 10-01,** except for the following Freddie Mac requirements, under which Servicers must:

- Rerun the NPV test in accordance with the requirements set forth in Guide Section C65.6, as amended by **Bulletin 2009-26**
  - If the Servicer conducted the initial HAMP evaluation on or after December 1, 2009, the Servicer must comply with the requirements set forth in **Bulletin 2009-26,** including those under the

Bulletin 2009-26 section titled *Determining when to run the Treasury NPV Model*, which requires Servicers to reevaluate any Borrower who started a Trial Period with stated income and, rerun the NPV test if the Borrower's verified income is **different** than the stated income.

- If a Servicer conducted the initial HAMP evaluation before December 1, 2009, the Servicer must comply with the NPV requirements set forth in Guide Section C65.6, which requires the Servicer to reevaluate any Borrower who started a Trial Period with stated income, and rerun the NPV test if the Borrower's verified income is **less** than the stated income.

- Forbear principal in accordance with SD 10-01, even when the NPV result is less than zero
  - If the Servicer conducted the initial HAMP evaluation on or after December 1, 2009, the NPV result may not be less than Freddie Mac's minimum NPV threshold of negative $5,000
- Follow the imminent default requirements that were announced in **Bulletin 2010-1**, which include:
  - Offering Borrowers who are first determined to be in imminent default a Trial Period Plan, if eligible, based on **full verification** of Borrower eligibility beginning **March 1, 2010**
  - Restrictions with respect to the use of unemployment income and the requirement to document all passive and non-wage income when evaluating a Borrower for imminent default
  - Evaluations of imminent default based solely on Borrower income (e.g., non-obligor household income may not be used when determining imminent default)
- Compare tax information from the Borrower's tax return or tax transcript against the Borrower's disclosed income and other income documentation and use good business judgment to determine whether any discrepancies exist. If the Servicer determines that discrepancies relevant to the HAMP decision exist, the Servicer must reconcile the discrepancies through additional documentation from the Borrower to validate the Borrower's current gross monthly income.

Further, SD 10-01 references previously announced Supplemental Directives 09-01, 09-07, 09-08, 09-09, and 09-10. Freddie Mac Servicers must follow the requirements set forth in Chapter C65, as amended by **Bulletin 2009-26**, **Bulletin 2009-28**, and **Bulletin 2010-1**, rather than the requirements set forth in the earlier Supplemental Directives referenced in SD 10-01.

GUIDE REVISIONS

Chapter C65 and other applicable Guide sections will be updated in a future Bulletin to reflect these changes.

For more information

- Review **Supplemental Directive 10-01** and **Supplemental Directive 09-10**.
- Visit **Freddie Mac's Home Affordable Modification Program web site.**
- Review information for Borrowers about the federal **Making Home Affordable program** on the Treasury's web site.

CONCLUSION

If after reviewing this Bulletin you have any questions about HAMP or Freddie Mac's role in the Program, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-4

TO: Freddie Mac Sellers and Servicers February 11, 2010

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making the following changes to our **selling requirements**:

- Amending the Guide to require Sellers to take out separate fixed-rate Cash contracts for Freddie Mac Relief Refinance Mortgages[SM] that are sold through the Freddie Mac Selling System ("Selling System") and have specified higher loan-to-value (LTV) ratios, and to select the appropriate LTV range on the Take Out a Cash Contract screen
- Correcting the deadline for submission of Guide Form 996E, *Warehouse Lender Release of Security Interest*

Form 16SF guidance

We are also providing additional guidance to Seller/Servicers on Form 16SF, *Annual Eligibility Certification Report*, regarding the term "Warehouse Lender."

Effective dates

All of these changes are effective immediately except for the following:

- **February 22, 2010** – Sellers must take out separate fixed-rate Cash contracts for Relief Refinance Mortgages with LTV ratios higher than 105% and must select the appropriate LTV ratio range on the Selling System Take Out a Cash Contract screen for fixed-rate Cash contracts taken out on or after this date

Revisions to the Guide

The revisions included in this Bulletin impact Guide Chapters 19, A24 and B24.

RELIEF REFINANCE MORTGAGES WITH HIGHER LTV RATIOS SOLD UNDER FIXED-RATE CASH CONTRACTS

As announced in Guide Bulletin 2009-21, Freddie Mac currently requires that Sellers identify fixed-rate Cash contracts for Relief Refinance Mortgages with LTV ratios greater than 105% by entering "Over105" in the Contract Name field on the Take Out a Cash Contract screen in the Selling System.

Effective for fixed-rate Cash contracts taken out on or after **February 22, 2010**, Sellers must take out separate fixed-rate Cash contracts for Relief Refinance Mortgages with LTV ratios greater than 105% and less than or equal to 115%, and Relief Refinance Mortgages with LTV ratios greater than 115% and less than or equal to 125%. Further, Sellers must identify fixed-rate Cash contracts for Relief Refinance Mortgages with LTV ratios greater than 105% by selecting the appropriate LTV ratio range for the contract on the Take Out a Cash Contract screen in the Selling System.

Sellers will be required to select the applicable LTV range:

- Less than or equal to 115% by selecting “>105% - <=115%”
- Greater than 115% and less than or equal to 125% by selecting “>115%”

Guide Sections A24.4 and B24.4 are being revised to reflect these changes.

FORM 996E

We are correcting the submission deadline for Form 996E, *Warehouse Lender Release of Security Interest*, for Sellers selling Mortgages for Cash through the Selling System that are pledged to a Warehouse Lender.

Effective immediately, for Cash transactions through the Selling System, Form 996E must be received by Freddie Mac by 5:30 p.m. Eastern Time the day before the Settlement Date, but no later than 12:30 p.m. Eastern Time the day before the Purchase Contract Expiration Date.

Section 19.4 is being revised to reflect this correction.

FORM 16SF

Seller/Servicers are advised that, for purposes of item #14 on Form 16SF (which is due to Freddie Mac within 90 days after the end of the fiscal year), the term "Warehouse Lender" includes not only traditional warehouse lenders, but any entity that finances, or advances funds by purchasing (including purchasing any beneficial interest in), a Mortgage intended for sale to Freddie Mac.

For example, information regarding the applicable purchasing or lending institution or entity must be disclosed on Form 16SF if the Seller/Servicer is planning to obtain interim financing through a sale/repurchase or other arrangement in which:

- Any legal or beneficial title to or interest in a Mortgage (which Mortgage is intended ultimately to be sold or conveyed to Freddie Mac) is transferred, in whole or in part, to a third party, or
- A third party is granted a security interest or other interest in any such Mortgage

Form 16SF must be submitted electronically and is available on FreddieMac.com at **http://www.freddiemac.com/singlefamily/doingbusiness/acctmaintain.html**.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-5

TO: Freddie Mac Sellers and Servicers February 26, 2010

SUBJECTS

Both selling and Servicing requirements are amended with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin.

With this Bulletin, we are announcing Guide changes related to Loan Prospector®. In our efforts to improve the quality and accuracy of appraisals, on February 28th, we are making an enhancement to Loan Prospector that provides a point value estimate from Home Value Explorer® (HVE), Freddie Mac's automated valuation model, for a property address.

With this Bulletin, we are also making the following changes to our **selling requirements**:

- Requiring a copy of the **entire** Note in the Mortgage file
- Updating the Guide to explicitly state that Sellers may not delegate their endorsement of Notes via power of attorney
- Reorganizing Guide requirements for living trusts and Illinois land trusts and providing additional information for eligibility provisions for living trusts

We are making the following changes to our **Servicing requirements**:

- Increasing the allowable amount for title expenses in New Hampshire and Rhode Island
- Advising Servicers of updates to our designated counsel/trustee list for California, Georgia and North Carolina
- Providing updated contact information for Freddie Mac's Default Asset Management department

EFFECTIVE DATE

All of these changes are effective immediately, unless otherwise indicated.

SELLING REQUIREMENTS

Loan Prospector feedback messages for HVE point value estimates

On February 12, 2010, Freddie Mac announced in a Loan Prospector News e-mail that on **February 28, 2010** we are enhancing Loan Prospector to help Sellers review appraisal results early in the origination process. With this enhancement, Loan Prospector will provide an HVE point value estimate and related data for a property address free of charge to Loan Prospector Users. The HVE point value estimate is not a replacement for an appraisal value, but should be used to identify which appraisals may need additional review.

We are revising Exhibit 32, *Terms Relating to Use of Data Generated by Home Value Explorer*, to permit Sellers receiving HVE point value estimates on Loan Prospector Feedback Certificates to use them in reviewing appraised property values during the loan origination process. We are also updating Guide

Section 2.20 to provide that Loan Prospector Users receiving HVE point value estimates on Feedback Certificates will be deemed to have agreed to the terms and conditions of Exhibit 32 relating to use of data generated by HVE.

Copy of the entire Note required in the Mortgage file

Effective for Mortgages sold to Freddie Mac on or after February 26, 2010

We are updating the Guide to require Sellers to retain a legible copy of the entire Note, complete with addenda, as applicable, and showing all endorsements in order to adequately reflect the complete content of the Note. For Mortgages secured by property located in New York State that are documented using a New York Consolidation, Modification and Extension Agreement (NY CEMA), a legible copy of the current Consolidated Note showing all endorsements must be maintained in the Mortgage file.

Section 46.2 is being revised to reflect this change.

Power of attorney not permitted to delegate endorsement

Section 16.4 is being revised to explicitly state that Sellers may not delegate their Note endorsement via power of attorney.

Living trusts and Illinois land trusts

We are reordering Section 22.10 to address eligibility and underwriting of living trusts together, to provide additional information with respect to eligibility provisions for living trusts, and then separately to address eligibility for Illinois land trusts. The reorganization of this section more clearly sets out the requirements for each type of trust.

SERVICING REQUIREMENTS

Allowable title expenses in New Hampshire and Rhode Island

We are increasing the allowable amount for title expenses in New Hampshire and Rhode Island to $225, to reflect the current market rates.

Exhibit 57A, *Approved Attorney Fees and Title Expenses*, is being updated to reflect this change.

Designated counsel/trustee list updates

California

For consistency within our California designated counsel program, we are now listing the law firm of Pite Duncan LLP as the contact firm rather than the trustee firm, Cal Western Reconveyance Corporation, with whom Pite Duncan LLP is partnered for the designated counsel/trustee program.

Georgia

The Georgia designated counsel firm formerly known as Pendergast and Jones, P.C. has changed its name to Pendergast & Associates, P.C.

North Carolina

The North Carolina designated counsel firm of Kellam & Pettit, P.A. has changed its name to Rogers, Townsend & Thomas, P.C. after their merger with the firm of the same name.

These updates to contact information have been made to the designated counsel/trustee list found at http://www.freddiemac.com/service/msp/desig_counsel.html

Updated contact information

Guide Directory 5 and Section 58.3.1 are being revised to reflect updated contact information for Freddie Mac's Default Asset Management department.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 16, 17, 22, 46, 58, and 71
- Exhibits 32 and 57A
- Directory 5

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-6

TO: Freddie Mac Sellers and Servicers March 2, 2010

SUBJECT: FREDDIE MAC RELIEF REFINANCE MORTGAGE[SM] OFFERINGS EXTENDED

On March 1, 2010, the Federal Housing Finance Agency announced the extension of the Home Affordable Refinance Program, a key component of the federal Making Home Affordable Program, to **June 10, 2011**. In accordance with that announcement, with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing that the extension applies to the Freddie Mac Relief Refinance Mortgage offerings.

Freddie Mac Relief Refinance Mortgages – Same Servicer and Freddie Mac Relief Refinance Mortgages – Open Access offer Borrowers who are current on their Mortgage payments the ability to refinance to improve their financial situation when home values have declined or where there has been limited credit availability in the market.

Previously, we required that Relief Refinance Mortgages have Note Dates on or before June 10, 2010. We are announcing today that Relief Refinance Mortgages must have Note Dates on or before **June 30, 2011.**

Complete requirements for Relief Refinance Mortgages can be found in Guide Chapter A24, *Freddie Mac Relief Refinance Mortgages[SM] – Same Servicer* and in Chapter B24, *Freddie Mac Relief Refinance Mortgages[SM] – Open Access*.

REVISIONS TO THE GUIDE

Chapters A24 and B24 will be revised at a later date to reflect this change.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-7

TO: Freddie Mac Sellers March 11, 2010

INTRODUCTION

In our continuing effort to improve the quality of the Mortgages we purchase, we are revising certain credit and property eligibility requirements in our *Single-Family Seller/Servicer Guide* ("Guide").

New Effective Date Requirements

In recent Bulletins containing credit changes, in addition to stating the effective Settlement Date for new requirements, we have also begun to include application date requirements. We will continue this practice to ensure that Sellers are aware of the final date for which they may originate eligible Mortgages under previous requirements.

Sellers are reminded to review each Guide Bulletin carefully to understand exactly when the requirement becomes effective, which will help to ensure that the requirements are implemented in a timely manner.

SUBJECTS

The following is a list of the topics addressed in this Bulletin. In this Bulletin we are:

- Announcing that we will no longer purchase Initial Interest℠ Mortgages or any Mortgage with an interest only option
- Announcing changes to Minimum Indicator Score requirements with increases for certain Manually Underwritten Mortgages
- Adding a Minimum Indicator Score of 620 for non-assumable Rural Housing Service (RHS) Section 502 GRH Mortgages
- Amending requirements for age of credit and capacity documentation, seasoning, and eligible Borrowers for Mortgages for Newly Constructed Homes, and permitting super conforming Mortgages to be sold as a Mortgage for a Newly Constructed Home
- Requiring Sellers to use specified versions of FICO scores (Credit Scores developed by Fair Isaac Corporation (FICO™)) whenever a usable Credit Score is required
- Updating our requirements for Mortgages secured by properties with incomplete improvements
- Providing requirements related to the appraising of leasehold estates

We are also updating applicable Guide sections with the changes announced in Bulletin 2010-2 (FHA Condominium Project Approvals), and Bulletin 2010-6 (Relief Refinance Mortgage℠ Extension).

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Initial Interest Mortgages

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

As announced in our **February 26, 2010** press release, Freddie Mac will no longer purchase Initial Interest Mortgages or any Mortgage with an interest only option.

Guide Chapter J33, *Initial Interest Mortgages*, is being deleted. Other applicable Guide chapters are being revised to reflect this change.

Minimum Indicator Score for certain Manually Underwritten Mortgages

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

We are increasing the minimum Indicator Scores required for the following Manually Underwritten Mortgages:

- 2- to 4-unit purchase transaction and "no cash-out" refinance Mortgages secured by Primary Residences, with loan-to-value (LTV)/total LTV(TLTV)/Home Equity Line of Credit TLTV (HTLTV) ratios ≤ 75%
- 1- to 4-unit Investment Property Mortgages that are "no cash-out" refinance Mortgages with LTV/TLTV/HTLTV ratios ≤ 75%
- 1-unit Home Possible Mortgages secured by Primary Residences, with LTV/TLTV ratios ≤ 97%

Refer to Exhibit 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*, for the revised requirements. In addition, Chapter A34, H*ome Possible®-Mortgages*, is being revised to reflect the new Minimum Indicator Score requirements.

Minimum Indicator Score for non-assumable Rural Housing Service (RHS) Section 502 GRH Mortgages

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

For non-assumable Rural Housing Service (RHS) Section 502 GRH Mortgages, we are adding a minimum Indicator Score requirement of 620. In addition, we are updating the Rural Housing Service (RHS) form numbers to align with agency requirements.

Refer to Exhibit 25 and Chapter 35 for the revised minimum Indicator Score requirements.

Mortgages for Newly Constructed Homes

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after January 1, 2011

Mortgages with applications dated prior to June 13, 2010 originated under our previous requirements must be delivered no later than December 31, 2010

Age of documentation

We are requiring that credit and capacity documentation for Mortgages for Newly Constructed Homes be dated no more than 120 days prior to the Effective Date of Permanent Financing. The current requirement allows the documentation to be dated up to 18 months prior to the Settlement Date for sales through the Freddie Mac Selling System (Selling System) or the Delivery Date for sales through MIDANET®. Credit and capacity documentation is all documentation used to evaluate the creditworthiness of the Borrower, including but not limited to, credit reports, credit scores, verifications of employment, income, source of funds and payment history, as well as the last Loan Prospector® Feedback Certificate. We are deleting the requirement for age of credit and capacity documentation from Chapter K33, and updating Chapters 2 and 37 to reflect this new requirement.

This paragraph serves as **notice to Sellers with Master Agreements** containing a provision that permits Freddie Mac to amend, supplement, revise or terminate a negotiated credit provision in a Purchase Document if such amendment, supplement, revision or termination is consistent with broad changes implemented by Freddie Mac, that such Sellers must comply with the new age of documentation requirements announced in this Bulletin.

Revising seasoning requirements for Mortgages for Newly Constructed Homes; retiring term "Seasoned Mortgages for Newly Constructed Homes"

As a result of the change to the age of documentation requirements, we are eliminating the term "Seasoned Mortgages for a Newly Constructed Home" and revising the Glossary definition of a Seasoned Mortgage to include Mortgages for Newly Constructed Homes. A Mortgage for a Newly Constructed Home is a Seasoned Mortgage if the Effective Date of Permanent Financing is more than 12 months prior to the Delivery Date, for Mortgages delivered through MIDANET, or Settlement Date, for Mortgages delivered through the Freddie Mac Selling System (Selling System).

Sellers are reminded that in our October 17, 2008 Bulletin, we announced that Seasoned Mortgages and Seasoned Mortgages for Newly Constructed Homes are eligible for sale only through a negotiated sales transaction through our bulk sales unit.

Super conforming Mortgages permitted as Mortgages for Newly Constructed Homes

Super conforming Mortgages for Newly Constructed Homes that meet the requirements of the Guide, including the revised age of documentation requirements announced in this Bulletin, are eligible for delivery to Freddie Mac.

Chapters L33, *Super Conforming Mortgages*, and K33, *Mortgages for Newly Constructed Homes*, are being revised to reflect this change.

Eligible Borrowers

Effective immediately

We are revising our requirements for eligible Borrowers on Construction Conversion and Renovation Mortgages to allow a co-Borrower to be removed from the Mortgage in the event of death or divorce, or a Related Person to be added to Permanent Financing, provided that all Borrowers on the Permanent Financing are Owner-Occupants of the Mortgaged Premises. If a change in Borrowers occurs after the Mortgage for the Permanent Financing is underwritten, the Mortgage must be re-underwritten. Except as described above, the Borrower on the Permanent Financing must be the Borrower on, and obligated to repay, the Interim Construction Financing and any other outstanding prior financing, including installation financing or outstanding prior Mortgages. The builder/developer must not be obligated to repay the Interim Construction Financing or any Mortgage on the land or the improvements.

Chapter K33 is being revised to reflect this change.

Reminder

We are reminding Sellers that any transaction where the proceeds of the Mortgage sold to Freddie Mac were used to pay off or replace an Interim Construction Financing must meet the requirements of Chapter K33.

FICO Scores

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

We are revising the Guide to provide the specific FICO score versions required for Manually Underwritten Mortgages.

Chapter 37 is being revised to reflect this change.

PROPERTY ELIGIBILITY

Properties with incomplete improvements

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

We are updating our requirements for incomplete improvements to make it easier for Sellers to manage their origination processes.

We are revising the Guide to provide that Sellers are permitted to sell Mortgages secured by properties with incomplete improvements if the **cost to complete** the property is no more than 10% of the 'as completed' value of the property, and all other requirements are met. The previous requirement was that the **value** of the incomplete items may not exceed 10% of the value of the completed Mortgaged Premises.

We are also updating the Guide to expressly state that the individual that performs the final inspection of the property must sign the completion report.

Chapter 44 is being revised to reflect these changes.

Appraising leasehold estates

Effective for Mortgages with applications dated on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

In connection with leasehold Mortgages, we are requiring Sellers to warrant that the appraisal services comply with the following requirement:

- The appraiser must develop a detailed description of the terms, conditions, and restrictions of the ground lease. The appraiser must consider and report any effect the terms of the lease have on the value and marketability of the Mortgaged Premises.

In addition to the requirement above, we are also revising the Guide to include the following guidance related to the appraisal of a leasehold estate:

- When there are sales available of similar properties that have the same lease terms, the appraiser should use these sales as comparable sales
- If there are no comparable sales of leasehold properties, the appraiser should use sales of similar properties owned in fee simple as comparable sales.

Chapter 41 is being updated to reflect this change.

EXHIBIT 19, *POSTSETTLEMENT DELIVERY FEES*

Exhibit 19 is being amended to reflect the changes announced in this Bulletin, which include:

- Modifying the following delivery fee grids to reflect that Initial Interest Mortgages are not eligible for sale to Freddie Mac for settlements after August 31, 2010:
  - Initial Interest Mortgages
  - Mortgages with Secondary Financing
  - Super conforming Mortgages
- Updating several delivery fee grids to remove outdated information

There are no changes to our delivery fees as a result of these changes.

GUIDE UPDATES FROM BULLETINS 2010-2 AND 2010-6

Bulletin 2010-2 (FHA Condominium Project Approvals)

In Bulletin 2010-2, Freddie Mac announced that we are revising the Guide to provide that Sellers may only use FHA Condominium Project approval to determine that Mortgages secured by units in Condominium Projects are eligible for sale to Freddie Mac for the following Mortgage types:

- FHA Mortgages
- VA Mortgages
- Section 502 Guaranteed Rural Housing (GRH) Mortgages
- U.S. Department of Housing and Urban Development (HUD) Guaranteed Section 184 Native American Mortgages

Chapter 42 is being updated to reflect the changes announced in Bulletin 2010-2.

Bulletin 2010-6 (Relief Refinance Mortgage Extension)

In Bulletin 2010-6, Freddie Mac announced the extension of the Relief Refinance Mortgage offering to June 30, 2011.

We have updated Chapter A24, *Freddie Mac Relief Refinance Mortgages℠ – Same Servicer,* and Chapter B24, *Freddie Mac Relief Refinance Mortgages℠ – Open Access* to include the extension.

LOAN PROSPECTOR® UPDATE

Loan Prospector will be updated on **June 13, 2010** to support the changes announced in this Bulletin.

Initial Interest Mortgages will not be eligible to be submitted or resubmitted after the Loan Prospector update on June 13, 2010.

For Mortgages for Newly Constructed Homes, new Loan Prospector submissions on or after June 13, 2010 and Loan Prospector resubmissions on or after January 1, 2011 will reflect the new 120-day documentation requirements. Resubmissions of Mortgages for Newly Constructed Homes that were submitted for the first time prior to June 13, 2010 and comply with our previous requirements will be eligible for sale to Freddie Mac until December 31, 2010.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 6, 9, 10, A10, 11, 13, A13, B15, C15, D15, 17, 22, 23, 24, A24, B24, 25, 27, 30, 32, 33, B33 C33, D33, E33, H33, J33, K33, L33, A34, 35, 37, 41, 42, 44, and 48
- Exhibits 4, 17, 17S, 19, 25, 26
- Form 11 and Form 13SF
- Glossary

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-8

TO: All Freddie Mac Sellers March 31, 2010

INTRODUCTION

The Florida Condominium market has been among the hardest hit by the current housing crisis. To increase the availability of financing for Condominium Units in Florida, we are announcing the Florida Condominium Effort in this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin.

We are also addressing certain Reciprocal Project Review requirements.

FLORIDA CONDOMINIUM EFFORT

Effective April 1, 2010

We are revising Guide Chapter 42, *Special Warranties for Condominiums* to exempt Sellers from Condominium Project requirements and certain representations and warranties for purchase transaction Mortgages secured by Condominium Units located in Florida, provided the following requirements are met:

- The Mortgage file contains documentation verifying that the existing First Lien conventional Mortgage on the unit being purchased is owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac
- The Note Date of the existing Mortgage for the unit being purchased is on or before December 31, 2009. This date refers to the property seller's Note Date.
- The Settlement Date for the new Mortgage is on or before March 31, 2011

Section 42.7 is being revised to reflect these requirements.

Delivery requirements

Freddie Mac Loan Number

Sellers must deliver the 9-digit Freddie Mac loan number of the property seller's Mortgage in the "associated FHLMC Loan #" field on the Form 11 or Form 13SF, as applicable.

Special characteristics codes

A Mortgage that is secured by a unit in a Florida Condominium Project and meets the requirements in Section 42.7(e) requires special characteristics code "H24"on Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher* at delivery.

Sellers are reminded that in addition to the special delivery requirements above, they must comply with all other Guide delivery requirements for Condominium Unit Mortgages and any other delivery requirements applicable to the specific Mortgage type required by their other Purchase Documents.

RECIPROCAL PROJECT REVIEWS

Fannie Mae Special Approval Designation

Section 42.9(a) of the Guide provides requirements for the sale of Condominium Unit Mortgages located in Condominium Projects accepted by Fannie Mae. We are revising that section to provide that Condominium Unit Mortgages secured by units in Fannie Mae-accepted Projects that receive the Fannie Mae Special Approval designation are not eligible for sale to Freddie Mac.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 17 and 42
- Form 11 and Form 13SF

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-9

TO: Freddie Mac Sellers and Servicers April 8, 2010

SUBJECTS

Both selling and Servicing requirements are amended with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin.

Selling and Servicing requirements

We are introducing new eligibility and approval requirements for the Servicing Released Sales Process.

Selling requirements

We are making the following changes to our **Selling requirements**:

- Announcing maximum loan-to-value (LTV)/total LTV(TLTV) ratios for Rural Housing Service (RHS) Section 502 GRH Mortgages
- Updating Guide Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, to include Essent Guaranty, Inc. as a new approved mortgage insurer, and updating addresses and name changes for other mortgage insurers
- Updating the chart in Guide Section H33.3, *General Eligibility Requirements*, that provides the mortgage insurance requirements for Mortgages secured by Manufactured Homes to delete an obsolete reference

Servicing requirements

As announced in a Single-Family Advisory e-mail to Servicers on **March 24, 2010**, we are requiring Servicers to support our second attempt to notify Borrowers that their Mortgage has been sold, assigned or transferred to Freddie Mac by providing valid mailing addresses for Section 404 Borrower notification letters.

SELLING AND SERVICING REQUIREMENTS

Servicing Released Sales Process

Effective date: May 1, 2010

In an effort to strengthen our servicing-released cash execution and maintain this offering as a competitive sale option for Freddie Mac Sellers, we are introducing new eligibility and approval requirements.

Sellers who currently have access to the Servicing Released Sales Process through the Freddie Mac Selling System ("Selling System"), and no longer meet the program eligibility requirements, will be notified in writing that their access to this part of the Selling System is being restricted and they will not be able to take out new Cash Servicing Released commitments after **April 30, 2010**.

A Seller whose access has been removed effective **May 1, 2010**, and Sellers who do not currently have access to the Servicing Released Sales Process through the Selling System may now contact their Freddie Mac representative or call (800) FREDDIE to inquire about the approval process.

Freddie Mac reserves the right, immediately upon notice, to:

- Limit the aggregate unpaid principal balance of all Mortgages that a Seller may sell to us under the offering
- Impose any additional requirements Freddie Mac deems necessary
- Suspend or terminate a Seller's ability to sell Mortgages under the offering

Guide Chapter 9, *Fixed Rate Cash through the Selling System*, is being revised to reflect these changes.

SELLING REQUIREMENTS

Announcing maximum LTV/TLTV ratio requirement for Section 502 GRH Mortgages

Effective for Mortgages with application dates on or after June 13, 2010, and for Mortgages with Settlement Dates on or after September 1, 2010

The LTV/TLTV ratios for RHS Section 502 GRH Mortgages must comply with the Guaranteed Regulations for LTV/TLTV ratios, and the LTV/TLTV ratio cannot exceed 115%, as calculated under the requirements of Section 23.2, *Calculating LTV, TLTV and HTLTV Ratios*.

Section 35.2, *Rural Housing Service (RHS) Section 502 Guaranteed Rural Housing Mortgages,* is being revised to reflect this change.

Exhibit 10

Effective immediately

Exhibit 10 has been updated to include Essent Guaranty, Inc., as a recently approved Freddie Mac mortgage insurer.

We have also updated Exhibit 10 to change the names of the following mortgage insurers:

- Verex Assurance, Inc. was changed to Genworth Residential Mortgage Assurance Corporation
- Home Guaranty Insurance Corporation was changed to Genworth Home Equity Insurance Corporation of North Carolina

Manufactured Home LTV ratios for second homes

Effective immediately

We are deleting an obsolete reference to a mortgage insurance requirement for second home Manufactured Home Mortgages with LTV ratios greater than 85% because those Mortgages are not eligible for purchase.

Section H33.3 is being revised to reflect this deletion.

SERVICING REQUIREMENTS

Effective immediately

As announced in our Single-Family Advisory email dated **March 24, 2010**, Freddie Mac has successfully reached the vast majority of Borrowers with notice that their Mortgage has been sold, assigned or transferred to Freddie Mac. This notice is required by Section 404 of the Helping Families Save Their Homes Act of 2009.

However, a small number of Borrower notification letters have been returned to us as "undeliverable." Pursuant to Guide Section 51.2, *Servicer Agreement*, which requires Servicers to follow instructions provided by Freddie Mac, we are reminding Freddie Mac Servicers that, for Mortgages they service, they must provide valid Borrower mailing addresses in cases where notification letters have been returned to Freddie Mac as undeliverable.

Reminder of requirements in March 24, 2010 Single-Family Advisory

By the 5th Business Day of each month, beginning in April 2010, we will send the point of contact in the Servicer's organization identified for this process an e-mail from the Freddie Mac Section 404 mailbox. The e-mail will include:

- A password-protected Excel file listing the Seller loan number, Freddie Mac loan number, and property address for each returned Borrower notification letter corresponding to each Mortgage that the Servicer services
- Detailed instructions for collecting and returning valid Borrower mailing addresses to Freddie Mac

Within 48 hours of receipt of the e-mail, Servicers must:

- Update our file with corresponding mailing addresses for all listed property addresses
- E-mail the updated file to Freddie Mac at FreddieMac_Section404@FreddieMac.com

If there are no returned Borrower letters for a particular month, Servicers will not receive a file for that month. Servicers servicing Mortgages for which Borrower letters were returned should have already received an e-mail for April 2010 and complied with the requirements above.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 9, H33, and 35
- Exhibit 10

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-10

TO: Freddie Mac Servicers April 22, 2010

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing a new system for submitting expense reimbursement requests, the Reimbursement System.

We are also announcing the following changes to Servicing requirements:

- Reduced costs for Broker's Price Opinions (BPOs) ordered via BPOdirect®
- A new expense code in Exhibit 74, *Expense and Income Codes for Form 104SF*, for bankruptcy multi-filer defense

Finally, we are notifying Servicers that we have updated Form 1128, *Loss Mitigation Transmittal Worksheet*, so that Servicers can accurately enter interest rates out to three decimal places.

SERVICING REQUIREMENTS

New system for submitting expense reimbursement requests

Based on feedback from Servicers, Freddie Mac has developed a new web-based system for expense reimbursement. The new Reimbursement System will replace the existing Online Reimbursement System, and was developed to create operational efficiencies for both Servicers and Freddie Mac. We expect that all Servicers will be transitioned to the Reimbursement System by the fourth quarter of 2010.

The new Reimbursement System will offer Servicers a number of benefits, including the following:

- Real time decisions on submitted claims
- The elimination of paper claims
- Improved access to the status of a submitted claim. All claim status information will reside in the new system. This is an improvement on the existing system which requires Servicers to access our Expense Manager tool in order to determine the status of their submitted claims.
- The ability to attach any required expense documentation electronically to the claim

Freddie Mac will contact existing Online Reimbursement System users over the next several months to provide additional information on the process for transitioning to the new system. All other Servicers must complete and submit the Reimbursement System Sign-up Form, which will be available at a later date on our web site at http://www.freddiemac.com/singlefamily/service/tools.html to request access to the new system.

Once a Servicer begins submitting claims in the new Reimbursement System, the Servicer must:

- Use the new Reimbursement System for all expense reimbursement requests. The Servicer's access to the existing Online Reimbursement System will be deactivated.
- Submit the following claims electronically that were previously submitted on paper:

- Requests for reimbursement of expenses for FHA Mortgages, VA Mortgages and RHS guaranteed Mortgages
- Resubmissions of expenses adjusted or denied in a previous claim
- Claims for Mortgages secured by properties sold to a third party for less than the total debt

- Use the Reimbursement System to request pre-approval to exceed our expense limits (rather than submitting such requests to the overallowables@freddiemac.com mailbox)
- Attach any required expense documentation directly into the claim submitted through the new Reimbursement System (eliminating the need to fax or e-mail expense documentation to Freddie Mac)
- Handle its own system administration

In a future Guide Bulletin, we will update the Guide with additional requirements for using the new Reimbursement System.

Reduced costs for Broker's Price Opinions ordered via BPOdirect

Guide Section 65.40, *Valuation Costs*, is being updated to reflect a reduction in cost for BPO requests. The cost of a BPO will continue to vary, depending on the reason it is ordered.

For any BPO ordered on or after April 6, 2010 for the purpose of Borrower-paid mortgage insurance cancellation, the invoice from HomeSteps® will reflect the new lower BPO cost.

Providing a new expense code in Exhibit 74

We are updating Exhibit 74 to include a new expense code to make it easier for Servicers to request reimbursement for bankruptcy fees related to Borrowers who file multiple bankruptcies.

New expense code 011012, Trustee/Attorney Fees Bankruptcy – Multi-filer Defense, has been added to facilitate reimbursement requests for legal fees associated with an attorney filing an objection to an extension of the automatic stay and attending the related court hearings. The existing $350 limit for multi-filer defense remains unchanged. This new bankruptcy expense code is effective immediately.

Updates to Form 1128

We have revised Form 1128, *Loss Mitigation Transmittal Worksheet*, to expand the form's interest rate fields out to three decimal places. Effective immediately, Servicers must use this revised Form 1128.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Industry Letter

TO: Freddie Mac Seller/Servicers May 5, 2010

SUBJECT: First Lien Mortgages and Energy Efficient Loans

Several states have recently enacted laws that authorize localities to create new energy efficient loan programs that generally rely on the placement of a first priority lien to secure energy efficient home improvements. Programs under these laws are sometimes referred to as Energy Loan Tax Assessment Programs or Property Assessed Clean Energy programs. Freddie Mac has begun to receive questions about these new energy loan programs.

The purpose of this Industry Letter is to remind Seller/Servicers that an energy-related lien may not be senior to any Mortgage delivered to Freddie Mac. Seller/Servicers should determine whether a state or locality in which they originate mortgages has an energy loan program, and whether a first priority lien is permitted. Freddie Mac will provide additional guidance in the event that these energy loan programs move beyond the experimental stage.

Freddie Mac supports the goal of encouraging responsible financing of energy efficient and renewable energy home improvements. We continue to work with federal and state agencies and with Seller/Servicers on initiatives for developing workable energy retrofit programs.

CONCLUSION

Please contact your Freddie Mac representative or call (800) FREDDIE if you have any questions. Seller/Servicers may also wish to contact their federal regulators, who share concerns about energy liens.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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We make home possible®

Bulletin

NUMBER: 2010-11

TO: Freddie Mac Servicers May 17, 2010

SUBJECTS

(This is a reissuance of Bulletin 2010-11, with a revision to the section titled "Workout Prospector®" made on May 24, 2010.)

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing the following changes:

- The Freddie Mac HAMP Backup Modification ("HAMP Backup Modification"), an alternative solution to support Borrowers who were initially eligible for a Home Affordable Modification Program (HAMP) Trial Period Plan based on stated income but have been determined to be ineligible for a HAMP modification, subject to the requirements of this Bulletin
- A Cap-to-Reinstate modification option for Borrowers who are ineligible for a HAMP Backup Modification, in accordance with the requirements of this Bulletin
- A change to our HAMP requirements to permit the use of a Servicer's proprietary form to collect the Borrower's financial information in lieu of obtaining Form 1114, *Making Home Affordable Program Request for Modification and Affidavit* ("RMA")

HAMP BACKUP MODIFICATION

Background

In Bulletin 2010-3, Freddie Mac provided its Servicers with requirements pertaining to the resolution of active HAMP Trial Period Plans. However, there are circumstances where Borrowers are determined to be ineligible for a HAMP modification after they have commenced the Trial Period. The HAMP Backup Modification provides Servicers with an option for those Borrowers who were initially eligible for a HAMP Trial Period Plan **based on stated income,** but are subsequently determined to be ineligible for HAMP due to underwriting or documentation requirements.

The HAMP Backup Modification option is available on a temporary basis and applies to all active stated income HAMP Trial Period Plans with a Trial Period Plan Effective Date on or before April 1, 2010. The Borrower must meet the eligibility criteria described below. Freddie Mac Servicers must evaluate each Borrower for a HAMP Backup Modification once the Servicer determines the Borrower is ineligible for HAMP.

Modifications processed as HAMP Backup Modifications must have a first modified payment due date on or before August 1, 2010, and a Servicer must submit to Freddie Mac all information and documentation required to close the modification in Freddie Mac's systems no later than the fourth Business Day of the month in which the first modified payment is due.

Unless otherwise notified by Freddie Mac in writing, all Freddie Mac Servicers are eligible to approve a modification of a Mortgage in accordance with the requirements of this Bulletin.

Topics discussed

The following is a list of the HAMP Backup Modification topics discussed in this Bulletin:

- Eligibility requirements
- Determining the HAMP Backup Modification terms and underwriting the Borrower
- Canceling the HAMP Trial Period Plan
- HAMP Backup Modification offer and Borrower response timeframes
- HAMP Backup Modification forms
- Documentation requirements
- Mortgage insurer (MI) approval/mortgage insurance
- Workout Prospector®
- Preparing and executing the modification agreement; closing and submitting the modification
- Late fees
- Administrative costs
- Servicer workout compensation
- Reporting requirements
- Reservation of rights to invoke remedies
- Compliance with applicable laws

Eligibility requirements

Servicers must consider a HAMP Backup Modification for all Borrowers who meet the following conditions:

- The Borrower was in an active HAMP Trial Period Plan with a Trial Period Plan Effective Date on or before April 1, 2010 **based on stated income.** Borrowers with HAMP Trial Period Plans reported as cancelled prior to April 1, 2010 are ineligible. Borrowers with Trial Period Plans cancelled on or after April 1, 2010 are eligible, provided the Trial Period Plan was cancelled for one of the following reasons:
  - The Borrower's monthly housing expense-to-income ratio, based on verified income documentation, was less than 31%
  - A HAMP Target Payment that is as close as possible to, but not less than, 31% of the Borrower's gross monthly verified income could not be reached using the HAMP modification waterfall without violating the net present value (NPV) requirement or principal forbearance limits; or
  - The Borrower failed to provide all income documentation required for a HAMP modification
- The Servicer must have previously verified that the Mortgage and Mortgaged Premises met the eligibility requirements for HAMP, including the requirement that the Borrower occupies the Mortgaged Premises as his or her Primary Residence, in accordance with Guide Chapter C65, *Home Affordable Modification Program*
- If the Borrower failed to provide all income documentation required for a HAMP modification, the documentation that the Borrower has already provided must meet the alternative documentation requirements set forth below (see section titled "Documentation requirements"). All required documentation must have been received by the Servicer during the Trial Period.
- The Borrower has remitted all required HAMP Trial Period payments, with a minimum of three, in accordance with the HAMP Trial Period Plan. This includes any payment due during an extension of

a HAMP Trial Period and subsequent payments that may have been due while the Servicer attempted to convert the Trial Period Plan to a permanent modification.

If the Borrower is deemed ineligible for HAMP prior to remitting the three required Trial Period payments, but is determined to be eligible for a HAMP Backup Modification, the Borrower must remit an amount equal to the HAMP Trial Period payment each month subsequent to the cancellation of the HAMP Trial Period Plan until the Borrower has submitted at least three payments each equal to the Trial Period payment.

Any payment due but not received, that is not yet considered delinquent, must be submitted by the Borrower prior to execution of Form 1151, *Freddie Mac HAMP Backup Modification Agreement* ("HAMP Backup Modification Agreement"). If the Borrower is delinquent on any of these payments, the Borrower is ineligible for a HAMP Backup Modification.

- The Borrower must continue to remit an amount equal to the HAMP Trial Period payment each month subsequent to the cancellation of the HAMP Trial Period Plan, but prior to the effective date of the HAMP Backup Modification, while the Servicer is evaluating the Borrower for a HAMP Backup Modification. However, if the Servicer elects to add an interim month when preparing the HAMP Backup Modification Agreement because the Borrower remitted his or her payment after the first of the month, the Borrower is not required to remit a payment for this interim month.
- The post-modification LTV ratio must be:
  - Greater than or equal to 80%; or
  - Less than 80%, provided the Borrower's monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower's verified income, is not less than 20%

  For purposes of calculating the LTV ratio, the loan amount is determined using the modified gross capitalized unpaid principal balance (UPB) (that is, the aggregate of the interest-bearing and any non-interest bearing amounts determined by the HAMP waterfall based on stated income, inclusive of all amounts that may be capitalized under Chapter C65). The value used to determine the post-modification LTV ratio is the Mortgaged Premises value obtained at the time the Borrower was evaluated for HAMP, in accordance with Chapter C65.

If the Servicer determines that the Mortgage is not eligible for a HAMP Backup Modification because the post-modification LTV ratio would be less than 80%, and the Borrower's monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower's verified income, is less than 20%, then the Servicer may offer the Borrower a modification in accordance with the requirements in the section titled "Cap to Reinstate modification."

For all other ineligible Borrowers, the Servicer must consider the Borrower for other foreclosure alternative options and comply with all other requirements under the Guide.

Credit enhancements

Servicers may approve HAMP Backup Modifications on Mortgages with in-place credit enhancements, except for Mortgages subject to recourse or indemnification, provided that the in-place credit enhancement remains effective on and after modification. Further, if the Servicer is not the credit enhancement provider, the Servicer must first obtain any required approval in writing under the terms of the credit enhancement from the entity providing the enhancement to enter into a HAMP Backup Modification Agreement that complies with the requirements of this Bulletin (see section titled "Mortgage Insurer (MI) approval/mortgage insurance" for additional information).

Establishing Escrow accounts

Servicers must maintain an Escrow account for Mortgages modified as a HAMP Backup Modification and must comply with all requirements pertaining to the establishment and continued maintenance of an Escrow account pursuant to Chapter C65.

Mortgages ineligible for modification under this Bulletin

The following Mortgages are not eligible for a HAMP Backup Modification:

- Mortgages in litigation involving the Mortgage, except for foreclosure proceedings
- Mortgages subject to recourse or indemnification
- Mortgages sold to Freddie Mac on a participation basis
- FHA, VA and RHS Mortgages

Determining the HAMP Backup Modification terms and underwriting the Borrower

In determining the terms of the HAMP Backup Modification Agreement, the Servicer must first determine the gross capitalized UPB of the modified Mortgage, including all amounts that may be capitalized under Chapter C65. The Servicer must determine the Borrower's modification terms using the steps of the modification waterfall set forth in Guide Section C65.6, *Underwriting the Borrower* to the extent necessary to achieve a payment that is close to, but not less than, 31% of the Borrower's gross monthly **stated income** ("HAMP Backup Modification Target Payment").

Post-modification LTV ratio equal to or greater than 80%

If the post-modification LTV ratio of the Mortgage is equal to or greater than 80%, the Servicer is not required to perform any other underwriting of the Borrower. However, the Borrower must have provided income documentation that meets the requirements set forth below under "Documentation requirements."

Post-modification LTV ratio less than 80%

If the post-modification LTV ratio of the Mortgage is less than 80%, the Servicer must calculate the Borrower's monthly housing expense-to-income ratio using the proposed modified payment terms and the Borrower's **verified income**. If the Borrower's monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower's verified income, is not less than 20%, the Borrower is eligible for a HAMP Backup Modification. If the Borrower's monthly housing expense-to-income ratio is less than 20%, the Borrower is not eligible for a HAMP Backup Modification. In such a case, the Servicer may offer the Borrower a modification in accordance with the requirements in the section below titled "Cap-to-Reinstate modification."

Canceling the HAMP Trial Period Plan

Once the Servicer has determined that the Borrower is not eligible for a HAMP modification, the Servicer must:

- Document the Servicer's attempts to convert the HAMP Trial Period Plan to a permanent HAMP modification in the Mortgage file
- Send a Borrower Notice that complies with the requirements of Bulletin 2009-28
- Cancel the HAMP Trial Period Plan with Fannie Mae in its capacity as program administrator for the United States Department of the Treasury ("Program Administrator") via the Program Administrator's HAMP system of record, in accordance with the Program Administrator's requirements
- Notify Freddie Mac by reporting default action code "HE" ("Ineligible for Modification") through Electronic Default Reporting (EDR). Refer to the section titled "Reporting requirements" for additional reporting requirements.

HAMP Backup Modification offer and Borrower response timeframes

If a Borrower has made three HAMP Trial Period payments by the date of this Bulletin and otherwise meets the HAMP Backup Modification eligibility requirements, Servicers must cancel the HAMP Trial Period Plan and evaluate the Borrower for a HAMP Backup Modification. The Servicer must send an eligible Borrower a HAMP Backup Modification offer, including two original HAMP Backup

Modification Agreements, no later than 30 calendar days from the date of this Bulletin. Such HAMP Backup Modification offer must require the Borrower to continue to make payments equal to the original Trial Period Plan payment until the Mortgage is modified, subject to the Servicer's election to insert an interim month prior to the effective date of the HAMP Backup Modification Agreement; during such interim month, no payment is required. The Servicer must not execute a HAMP Backup Modification Agreement until the Borrower has made all required payments and returned the signed HAMP Backup Modification Agreements to the Servicer.

If a Borrower has not yet made three HAMP Trial Period payments by the date of this Bulletin, but otherwise meets the HAMP Backup Modification eligibility requirements, Servicers must send an eligible Borrower the HAMP Backup Modification offer within 10 Business Days of the Servicer's determination that the Borrower is not eligible for a HAMP modification. The HAMP Backup Modification offer must, among other things, require the Borrower to make at least three timely payments each equal to the amount of the Trial Period Plan payment (including any Trial Period payments made to date), plus any necessary payments that may be required until the Mortgage is modified, as a condition to receiving the HAMP Backup Modification. The Servicer may, in its discretion, include two original HAMP Backup Modification Agreements with the offer. The Servicer must not execute a HAMP Backup Modification Agreement until the Borrower has made all required payments and returned the signed HAMP Backup Modification Agreements to the Servicer.

During the time within which the Servicer's HAMP Backup Modification offer is pending with the Borrower, the Servicer must not initiate or complete a foreclosure proceeding related to the Mortgaged Premises.

If feasible, the HAMP Backup Modification offer must be included with the Borrower Notice.

The offer package must clearly advise the Borrower of the following:

- While the HAMP Backup Modification terms will be similar to the modification terms available under HAMP, the HAMP Backup Modification does not include Borrower incentive payments
- To maintain eligibility for a HAMP Backup Modification, the Borrower must continue to make payments in an amount equal to the HAMP Trial Period payment each month until the HAMP Backup Modification is effective, except for any interim month that is implemented to effect the HAMP Backup Modification
- The method and date by which the Borrower must respond to the HAMP Backup Modification offer, that is 30 calendar days from the date of the offer ("HAMP Backup Modification Offer Deadline")

A Servicer may, but is not required to, use Form 1152, *Freddie Mac HAMP Backup Modification Cover Letter*, to make a HAMP Backup Modification offer.

See section titled "Preparing and executing the modification agreement; closing and submitting the modification" for additional information.

Servicer follow-up requirements

Once the HAMP Backup Modification offer has been sent, Servicers must attempt to contact the Borrower using the following methods until the Servicer has successfully made contact with the Borrower and has documented the same, the Borrower responds to the offer or the HAMP Backup Modification Offer Deadline has expired:

- Make a minimum of four telephone calls to the last known phone numbers of record, at different times of the day
- Send one additional written notice to the Borrower via certified/express mail or via overnight delivery service (such as Federal Express or UPS) with return receipt/delivery confirmation, so that the Borrower receives such notice on or about the 15th calendar day from the date of the offer

Borrower's failure to respond to the offer

If the Borrower fails to respond to the HAMP Backup Modification offer by the HAMP Backup Modification Offer Deadline, the Servicer must consider the offer to have expired. In such instances, the Servicer must consider the Borrower for other foreclosure alternative options and comply with all other requirements under the Guide. (See section titled "Workout Prospector®" for additional requirements.)

Document retention requirements

The Servicer must retain a copy of the HAMP Backup Modification offer letter, income documentation and records of all Borrower communications in the Mortgage file in accordance with the documentation retention requirements set forth in Section 52.3, *Maintenance*.

HAMP Backup Modification forms

HAMP Backup Modification Agreement

Freddie Mac has developed Form 1151, *Freddie Mac HAMP Backup Modification Agreement*, that Servicers must use for a HAMP Backup Modification. This form is available on our web site at www.freddiemac.com/uniform. Servicers may also access the form from our web site at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html, where other HAMP Backup Modification information and forms are available.

Servicers must not make any changes or additions to the HAMP Backup Modification Agreement, except for changes and modifications required to remain in compliance with applicable federal, State and local law and as required or permitted by Freddie Mac. Changes required or permitted by Freddie Mac are the same as, and are limited to, the required or permitted changes to Form 3157, *Home Affordable Modification Agreement (3/09 (rev 8/09))*. Servicers must refer to the "Authorized Changes to Home Affordable Modification program documents" accessible from our web site at http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html for information regarding required or permitted changes to the Home Affordable Modification Agreement.

HAMP Backup Modification Cover Letter

In addition, Freddie Mac has developed Form 1152, *Freddie Mac HAMP Backup Modification Cover Letter* ("HAMP Backup Modification Cover Letter"). Servicers may, but are not required to, use this cover letter when making a HAMP Backup Modification offer. This form is also available on our web site at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html. Should Servicers decide to use the HAMP Backup Modification Cover Letter, they must make any changes necessary to comply with applicable federal, State and local law and to reflect the Servicer's actual processes in implementing the HAMP Backup Modification requirements. Servicers may incorporate the HAMP Backup Modification Cover Letter language into a Borrower Notice if feasible.

Co-branding/use of Freddie Mac's logo

Servicers may download the Freddie Mac logo for use on HAMP Backup Modification letters, envelopes and packages from FreddieMac.com at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html.

A Servicer may use Freddie Mac's logo together with its own logo to co-brand HAMP Backup Modification materials. However, a Servicer may not use the Freddie Mac logo without also including its own logo.

Documentation requirements

Servicers must use documentation submitted by the Borrower in connection with the Borrower's request for the HAMP modification to document the Borrower's eligibility for a HAMP Backup Modification and, if the post-modification LTV ratio of the Mortgage would be less than 80%, to calculate the Borrower's monthly housing expense-to-income ratio in accordance with the above requirements. Such documentation must meet the requirements of Bulletin 2010-3, or meet the following documentation requirements. In either case, the documentation must have complied with the HAMP seasoning requirements; Servicers should not refresh the documentation for the HAMP Backup Modification evaluation.

The following documentation requirements supersede the documentation requirements provided in any other agreements between the Servicer and Freddie Mac:

- The Borrower must have provided a HAMP-eligible hardship affidavit
- For an employed Borrower:
  - One pay stub or voucher that documents at least two months of year-to-date earnings; or
  - Pay stubs or vouchers sufficient to document at least two consecutive months of earnings
- For other income such as bonuses, commissions, tips or overtime:
  - One pay stub or other reliable third-party documentation documenting the nature, frequency and amount of the income
- For a self-employed Borrower:
  - A copy of the Borrower's signed federal income tax return for the previous year, including all forms and schedules, or a tax return transcript (obtained via Internal Revenue Service (IRS) Form 4506-T or 4506T-EZ, *Request for Transcript of Tax Return*); or
  - A copy of the previous year's profit and loss statement if a copy of the prior year's signed federal income tax return is not available; and
  - A copy of a year-to-date profit and loss statement to document continuation of business activity
- If the Borrower elected to use alimony or child support income to qualify, acceptable documentation includes:
  - Photocopies of the divorce decree, separation agreement or other type of legal written agreement or court decree that provides for the payment of alimony or child support and states the amount of the award and the period of time over which it will be received; and
  - Documents supplying reasonably reliable evidence, of full, regular, and timely payments, such as two months of bank deposit slips or bank statements
- If the Borrower has other income such as Social Security, disability or death benefits, a pension, public assistance or adoption assistance, acceptable documentation includes:
  - Letters, exhibits, a disability policy or benefits statement from the provider that states the amount, frequency and duration of the benefit; and
  - A copy of a bank statement showing these deposits
- If the Borrower has rental income, acceptable documentation includes:
  - Copies of all pages from the Borrower's signed federal income tax return and Schedule E − Supplemental Income and Loss, or a tax return transcript from the IRS, for the most recent tax year
    - When Schedule E is not available because the Mortgaged Premises was not previously rented, Servicers may accept a current lease agreement and bank statements or cancelled rent checks

- If the Borrower has rental income from a one- to four-unit property that is also the Borrower's principal residence, the monthly net rental income to be calculated for HAMP purposes must equal 75% of the monthly gross rent, with the remaining 25% being considered vacancy loss and maintenance expense
- If the Borrower has rental income from a property that is other than the Borrower's primary residence, the income should be 75% of the monthly gross rental income, reduced by the monthly debt service on the property (i.e., principal, interest, taxes, insurance, including mortgage insurance and association fees, if applicable)

- If the Borrower receives unemployment benefits, evidence of the amount, frequency and duration of the benefits (usually obtained through a monetary determination letter). The unemployment income must continue for at least nine months from the date of the application. The duration of benefit eligibility – including federal and state extensions – may be evidenced by a screenshot or printout from the Department of Labor UI benefit tool, which is available at http://www.ows.doleta.gov/unemploy/ben_entitle.asp.

Mortgage insurer (MI) approval/mortgage insurance

Mortgage insurer approval of Mortgage modifications

Servicers are reminded that they must comply with all requirements of applicable mortgage insurance policies when servicing Freddie Mac-owned Mortgages. Servicers must service all Mortgages, including any Mortgage to be modified in accordance with the terms of this Bulletin, so as to preserve and not to impair existing mortgage insurance coverage. When executing a HAMP Backup Modification, a Servicer must either (i) obtain the applicable MI's approval of the terms of the Mortgage modification made in accordance with the requirements of this Bulletin for each Mortgage on a case-by-case basis, or (ii) ensure that the applicable MI has provided a delegation of authority directly to the Servicer to approve Mortgage modifications made in accordance with the requirements of this Bulletin on its behalf.

Regardless of the grant of delegated authority from an MI, Servicers should always consult the applicable MI for specific processes related to the reporting of modified terms, payment of premiums and other operational matters in connection with Mortgages modified as a HAMP Backup Modification and to determine compliance with mortgage insurance requirements, including the existence of and compliance with the terms of any delegation of authority. Once the Mortgage has been modified, Servicers must ensure that mortgage insurance continues to be maintained on the gross capitalized UPB (including the amount of any partial principal forbearance) at the time of the modification.

Cancellation of Borrower-paid mortgage insurance

Servicers must accurately determine any automatic cancellation of Borrower-paid mortgage insurance or Borrower-requested cancellation of Borrower-paid mortgage insurance in accordance with Chapter 61, *Mortgage Insurance*, the Homeowners Protection Act of 1998 (HPA), and any other applicable federal, State and local law. For the purpose of canceling mortgage insurance on a modified Mortgage (either HPA or pre-HPA) with a partial principal forbearance, the required LTV ratios and the midpoint of the amortization period, as applicable, must be based on the gross capitalized UPB (including the amount of any partial principal forbearance).

Workout Prospector®

Processing requirements

Provided all eligibility requirements have been met, Servicers must process the HAMP Backup Modification in Workout Prospector using the same model created for the HAMP modification and in accordance with the following requirements:

- The NPV value that is input into Workout Prospector is the most recent NPV result that the Servicer obtained when approving the Mortgage for a HAMP Trial Period Plan using stated income

- The Servicer must update the principal balance as of the new effective date of the modification and any applicable fields to reflect the final amounts that must be capitalized. The Servicer must then re-execute the modification waterfall to determine the final modified terms, including the HAMP Backup Modification Target Payment using the stated income used to determine initial HAMP eligibility. The Servicer **must not change** any other data previously entered into Workout Prospector, including, but not limited to, the Borrower income information and evaluation date.
- ***(The following language in bold print reflects a revision made on May 24, 2010 to streamline processing requirements.)*** **Without updating the Borrower's income on the HAMP screen, the Servicer must save the status as "Trial Period Verified Income – Approve." Upon receipt of the signed HAMP Backup Modification Agreement from the Borrower, the Servicer must change the status to "HAMP Modification Approve" then click on the "Save Status" button to save the updates and transmit the model to Freddie Mac.**

If the Borrower fails to respond to the HAMP Backup Modification offer by the HAMP Backup Modification Offer Deadline, or the Servicer determines that the Borrower is not eligible for a HAMP Backup Modification, the Servicer must input the verified Borrower income information, if provided, and save the model to the applicable "Borrower Declined Terms/Ineligible" status. With respect to Mortgages ineligible for a HAMP Backup Modification because the post-modification LTV ratio is less than 80%, and the Borrower's monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower's verified income, is less than 20%, Servicers must refer to the section titled "Cap-to-Reinstate modification" for additional processing information.

Preparing and executing the modification agreement; closing and submitting the modification

Preparing the modification agreement

The Servicer must prepare the HAMP Backup Modification Agreement and ensure that the Mortgage retains its First Lien position and is fully enforceable in accordance with Section B65.20(1) (as amended by Bulletins 2009-28 and 2010-1). The Servicer must revise the HAMP Backup Modification Agreement as necessary to comply with federal, State and local law and as required or permitted by Freddie Mac. (See section titled "HAMP Backup Modification forms" for additional information on authorized changes to the HAMP Backup Modification Agreement.)

If not already provided with the original offer, the Servicer must mail the Borrower two original HAMP Backup Modification Agreements and provide the Borrower the date by which the Borrower must sign and return the two executed HAMP Backup Modification Agreements, which is no more than 30 calendar days from the date the HAMP Backup Modification Agreement was sent to the Borrower.

Executing the modification agreement

All Borrowers and any other signatory to the Security Instrument must sign both copies of the HAMP Backup Modification Agreement. However, in instances where a Borrower, co-Borrower, or other signatory to the Security Instrument has divorced, separated from, or, if unrelated through marriage, a legally recognized civil union or similar domestic partnership under applicable law, vacated the Mortgaged Premises, only those Borrower(s) and signatories to the Security Instrument who remain in the home are required to sign the HAMP Backup Modification Agreement, provided the Borrower submits, as applicable, a copy of the divorce decree, court filed separation agreement or recorded quit claim deed evidencing that the departed signatory has relinquished all rights to the Mortgaged Premises.

Servicers may evaluate requests on a case-by-case basis when the Borrower is unable to sign due to circumstances such as mental incapacity, military deployment, etc.

Closing the modification

Once the Servicer receives the two HAMP Backup Modification Agreements signed by all required parties and all required payments, the Servicer must:

- Sign one original HAMP Backup Modification Agreement and send it to the Borrower

- Sign and submit the other original HAMP Backup Modification Agreement with both the Servicer's and Borrower's signatures for recordation, if required, in accordance with Section B65.20, *Modified Mortgage conditions*, (as amended by Bulletin 2009-28) within one Business Day of the Servicer's receipt of the executed HAMP Backup Modification Agreement. If the HAMP Backup Modification Agreement must be recorded and the original Security Instrument was registered with Mortgage Electronic Registration Systems, Inc. (MERS), the Servicer is authorized and directed to execute the HAMP Backup Modification Agreement on behalf of MERS.

  The Servicer must send a certified copy of the executed HAMP Backup Modification Agreement to its Document Custodian to be maintained with the Note. Once the other original HAMP Backup Modification Agreement is returned from the recorder's office, the Servicer must send it to its Document Custodian.

  If recordation is not required, the Servicer must send the other original HAMP Backup Modification Agreement to its Document Custodian.

- Retain a copy of the executed HAMP Backup Modification Agreement in the Mortgage file

Submitting the modification to Freddie Mac

No later than the fourth Business Day of the month in which the first modified payment is due, Servicers must transmit the model in "HAMP Modification Approve" status via Workout Prospector and submit to Freddie Mac via fax at (571) 382-4905 (or as otherwise directed by Freddie Mac) a signed and dated copy of the completed Form 1128, *Loss Mitigation Transmittal Worksheet*. **With respect to Form 1128, the Servicer must indicate in the Servicer Comments section of Form 1128 that the modification is a HAMP Backup Modification and include the amount of the Borrower's verified income.**

NOTE: Freddie Mac will not accept for settlement any HAMP Backup Modifications undertaken by the Servicer where required settlement documentation is not provided in accordance with the timeframe set forth above. Servicers' failure to provide all required documentation in a timely manner will be subject to all of Freddie Mac's rights and remedies under the Guide and any other applicable Purchase Documents.

Servicers must comply with the reporting and remitting requirements set forth in Section B65.26, *Reporting and remittance requirements*, to complete the modification.

Late fees

Late charges may accrue while the Servicer is determining Borrower eligibility for a HAMP Backup Modification, subject to the requirements of Section 64.3, *Late charges*. However, the Servicer must waive all unpaid late charges that have accrued prior to the effective date of the HAMP Backup Modification.

Administrative costs

Servicers may not charge the Borrower a processing fee or any other administrative costs or fees associated with the processing of a HAMP Backup Modification. Further, the Servicer may not require any upfront cash contributions from the Borrower, except to the extent the Borrower chooses to fund the entire amount, or a portion, of any Escrow shortage.

Servicers may request reimbursement for certain costs associated with a HAMP Backup Modification that would otherwise be paid by the Borrower (e.g., notary fees, title costs and recordation fees, if applicable), in accordance with the same process for requesting reimbursement of expenses for HAMP. See Section C65.8, *Other general requirements*, for information on the process for requesting reimbursement of such expenses.

Servicer workout compensation

Servicers will receive a one-time workout compensation fee of $800 for each settled HAMP Backup Modification processed in accordance with the requirements of this Bulletin. The incentive fee will be paid in accordance with the requirements for workout compensation set forth in Section 65.42, *Compensation program*.

Reporting requirements

Servicers must comply with the following EDR and activity reporting requirements:

- Report default action code "HD" ("Modification in Review (other than a modification under HAMP)") via EDR to notify Freddie Mac that the Mortgage is being considered for a HAMP Backup Modification and the date the Servicer began the evaluation. This code must be reported, one time, in the first EDR cycle following the date the Servicer began the evaluation.
- Report code "09" and default reason code "015" through EDR for each month the Mortgage is on a forbearance plan with the Borrower making partial payments, while the Servicer is considering the Borrower for a HAMP Backup Modification
- Provide to Freddie Mac a report containing all Mortgages that were in an active HAMP Trial Period Plan with a Trial Period Plan Effective Date on or before April 1, 2010, which the Servicer determined to be ineligible for a HAMP modification, and is considering for or has processed as a HAMP Backup Modification. The Servicer must provide this cumulative report no later than the fourth Business Day of each month. The first report is due no later than June 4, 2010 and must be submitted to WKOUT_HAMP_RECON@freddiemac.com

  The template for the report is available on our web site at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html.
- Because HAMP Backup Modifications are not HAMP modifications, Servicers must not report them to the Program Administrator

In addition, once the Mortgage is modified, Servicers must comply with the requirements of Section C65.10, *Special requirements for Mortgages with a partial principal forbearance*, as may be amended from time to time.

Reservation of rights to invoke remedies

Notwithstanding the terms of this Bulletin and Freddie Mac's delegation of authority to Servicers to approve HAMP Backup Modifications, Freddie Mac reserves its rights to exercise any remedies provided by the Guide and the other Purchase Documents, including a repurchase of the Mortgage or a call on a credit enhancement, in the event Freddie Mac determines that there has been a failure to comply with any selling or Servicing representation or warranty of the Guide.

Compliance with applicable laws

The Servicer's implementation of HAMP Backup Modifications and all actions taken under this Bulletin and the Guide must comply with all applicable federal, State and local law.

CAP-TO-REINSTATE MODIFICATION

If the Servicer determines the Mortgage is not eligible for a HAMP Backup Modification because the post-modification LTV ratio (as determined under the section titled "Eligibility requirements") would be less than 80%, and the Borrower's monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower's verified income, is less than 20%, the Servicer may reinstate the Mortgage by modifying the UPB only to capitalize allowable amounts ("Cap-to-Reinstate modification") as described in Section C65.6, unless:

- The Servicer determines that the Borrower cannot afford the modified payment based upon the documentation, if any, provided by the Borrower for HAMP during the Trial Period. The Servicer should not solicit additional documentation; or
- The Borrower indicates he or she cannot afford the modified payment or otherwise rejects the Cap-to-Reinstate modification offer; or
- The Borrower did not submit income documentation that meets the requirements of the section titled "Documentation requirements"

The Servicer must not reduce the interest rate, extend the term or forbear principal on such Mortgages. The capitalization will result in a higher post-modification Mortgage payment than the HAMP Trial Period Plan payment.

The Servicer may offer the Borrower the Cap-to-Reinstate modification as soon as the Servicer determines the Borrower is ineligible for a HAMP Backup Modification, but eligible for a Cap-to-Reinstate modification; the Borrower is not required to remit a minimum of three payments equivalent to the Trial Period payment.

Cap-to-Reinstate modifications must have a first modified payment due date on or before August 1, 2010 and the Servicer must submit to Freddie Mac all information and documentation required to close the modification in Freddie Mac's systems no later than the fourth Business Day of the month in which the first modified payment is due.

If a Cap-to-Reinstate modification is not offered or accepted, the Borrower should be considered for other foreclosure alternative options under the Guide.

Applicability of other requirements described in this Bulletin

The following sections of this Bulletin relating to HAMP Backup Modifications also apply to Cap-to-Reinstate modifications:

- Credit enhancements
- Establishing Escrow accounts
- Mortgages ineligible for modification under this Bulletin
- Canceling the HAMP Trial Period Plan
- Servicer follow-up requirements
- Document retention requirements
- Co-branding/use of Freddie Mac's logo
- Mortgage Insurer (MI) approval/mortgage insurance
- Preparing the modification agreement
- Executing the modification agreement
- Closing the modification
- Late fees
- Administrative costs
- Servicer workout compensation
- Reservation of rights to invoke remedies
- Compliance with applicable laws

Cap-to-Reinstate modification offer and Borrower response timeframes

Within ten Business Days of the Servicer's determination that the Mortgage is not eligible for a HAMP Backup Modification because the post-modification LTV ratio would be less than 80%, and the Borrower's monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower's verified income, is less than 20%, the Servicer must evaluate the Borrower to determine whether a Cap-to-Reinstate modification offer is appropriate based on the circumstances and the information available to the Servicer, and if appropriate, send the Borrower a Cap-to-Reinstate modification offer. The offer must clearly advise the Borrower of the following:

- The terms of the Cap-to-Reinstate modification
- Borrower incentive payments are not provided

- The method and date by which the Borrower must respond to the offer, that is 30 calendar days from the date of the offer ("Cap-to-Reinstate Offer Deadline")

At the Servicer's discretion, the offer may include two original modification agreements prepared in accordance with Section B65.24, *Preparing to close the loan modification*. The Servicer may not use the HAMP Backup Modification Agreement for this purpose. The Servicer must not execute a modification agreement until the Borrower has returned both original signed modification agreements. If feasible, the Cap-to-Reinstate offer must be included with the Borrower Notice.

During the time within which the Servicer's Cap-to-Reinstate modification offer is pending with the Borrower, the Servicer must not initiate or complete a foreclosure proceeding related to the Mortgaged Premises.

Borrower's failure to respond to the offer

If the Borrower fails to respond to the Cap-to-Reinstate modification offer by the Cap-to-Reinstate Offer Deadline, the Servicer must consider the offer to have expired. In such instances, the Servicer must consider the Borrower for other foreclosure alternative options and comply with all other requirements under the Guide.

Submitting the modification to Freddie Mac

The Servicer must process the Cap-to-Reinstate modification in Workout Prospector in accordance with the instructions in the Workout Prospector Users' Guide available on our web site at http://www.freddiemac.com/learn/service/mha.html. No later than the fourth Business Day of the month in which the first modified payment is due, the Servicer must:

- Send an e-mail to Freddie Mac at NPL_file_prep@freddiemac.com and in the subject line of the e-mail provide the Freddie Mac loan number and the notation "HAMP Ineligible Cap-to-Reinstate - Approval"

- Transmit the model for the Cap-to-Reinstate modification in Workout Prospector and submit to Freddie Mac via fax at (571) 382-4905 (or as otherwise directed by Freddie Mac), a signed and dated copy of the completed Form 1128, *Loss Mitigation Transmittal Worksheet*. **The Servicer must check the "Cap-to-Reinstate" box provided on Form 1128 and indicate in the Servicer Comments section of Form 1128 that the modification is a "HAMP Ineligible – Cap-to-Reinstate Modification."** The Servicer must **not** indicate on Form 1128 that this is a HAMP Backup Modification or HAMP modification. (The Servicer must have previously saved the HAMP model in Workout Prospector in the applicable "Borrower Declined Terms/Ineligible" status. See section titled "Workout Prospector®" for additional information.)

  NOTE: Freddie Mac will not accept for settlement any Cap-to-Reinstate modifications undertaken by the Servicer where required settlement documentation is not provided in accordance with the timeframe set forth above. Servicers' failure to provide all required documentation in a timely manner will be subject to all of Freddie Mac's rights and remedies under the Guide and any other applicable Purchase Documents.

In addition, the Servicer must comply with the reporting and remitting requirements set forth in Section B65.26 to complete the modification.

Reporting requirements

Servicers must comply with the following EDR and activity reporting requirements:

- Report default action code "HD" ("Modification in Review (other than a modification under HAMP)") via EDR to notify Freddie Mac that the Mortgage is being considered for a Cap-to-Reinstate modification and the date the Servicer began the evaluation. This code must be reported, one time, in the first EDR cycle following the date the Servicer began the evaluation.

- Because Cap-to-Reinstate modifications are not HAMP modifications, Servicers must not report them to the Program Administrator

USE OF RMA OR OTHER PROPRIETARY FORMS

We previously communicated in Bulletin 2009-28 that on and after March 1, 2010 Servicers must use the RMA when obtaining the Borrower's financial information for modifications under HAMP.

With this Bulletin, we are revising our requirements as follows:

- Servicers may use other proprietary financial information forms in lieu of the RMA, provided that the forms are substantially similar in content to the RMA and the information and attestations requested from the Borrower are the same
- When the RMA is not used to obtain the Borrower's financial information and the Servicer's proprietary financial information forms do not contain the Hardship Affidavit from page 1 of the RMA, Servicers must obtain an executed Form 1115, *MHA Hardship Affidavit*, from the Borrower. Servicers may also incorporate all of the information on the MHA Hardship Affidavit into their proprietary financial information forms.

CONCLUSION

Freddie Mac remains focused on assisting troubled Borrowers with Freddie Mac-owned Mortgages avoid preventable foreclosure. The changes announced in this Bulletin are part of our ongoing efforts to promote sustainable homeownership and stabilize communities and neighborhoods across the nation.

If you have any questions after reviewing this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing" from the menu.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2010-12

TO: Freddie Mac Servicers June 1, 2010

SUBJECT: HOME AFFORDABLE FORECLOSURE ALTERNATIVES

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing Freddie Mac's requirements for the United States Department of the Treasury ("Treasury") Home Affordable Foreclosure Alternatives (HAFA) initiative.

BACKGROUND

In Guide Bulletin 2009-6, Freddie Mac announced its eligibility, underwriting and servicing requirements for the Home Affordable Modification Program (HAMP). These requirements are incorporated into Guide Chapter C65, *Home Affordable Modification Program* (as amended by Bulletins 2009-26, 2009-28, 2010-1 and 2010-3). Under HAMP, Servicers apply a uniform loan modification process to provide eligible Borrowers with sustainable monthly payments for their First Lien Mortgages. While HAMP is intended to reach a broad range of at-risk Borrowers, it is expected that Servicers will encounter situations where HAMP is not a viable option.

On November 30, 2009, Treasury released Supplemental Directive 09-09, *Introduction of Home Affordable Foreclosure Alternatives – Short Sale and Deed-in-Lieu of Foreclosure*, which was subsequently revised on March 26, 2010 by Supplemental Directive 09-09R. HAFA is part of HAMP and provides financial incentives to Servicers and Borrowers who utilize a short sale or a deed-in-lieu to avoid a foreclosure on a loan that meets the eligibility requirements for HAMP. Both of these foreclosure alternatives reduce the need for potentially lengthy and expensive foreclosure proceedings. These options help preserve the condition and value of the property by minimizing the time the property is vacant and subject to vandalism and deterioration. In addition, these options generally provide a substantially better outcome for borrowers and communities than a foreclosure sale and Borrowers may benefit from an alternative that transitions the Borrower to more affordable housing.

Freddie Mac's HAFA requirements are contained in the new Guide Chapter D65, *Home Affordable Foreclosure Alternatives*. Servicers must comply with the requirements set forth in Chapter D65, which provide the eligibility, evaluation, processing and servicing requirements for the application of HAFA to Freddie Mac Mortgages.

Effective **August 1, 2010**, Freddie Mac Servicers must have incorporated HAFA into their operations and begin offering HAFA solutions to eligible Freddie Mac Borrowers. However, Servicers may begin implementing HAFA immediately.

Borrowers may be accepted into HAFA if a Form 1135, *Short Sale Agreement*, or a Form 1139, *Deed-in-Lieu Agreement*, as described in Chapter D65, is fully executed by the Borrower and received by the Servicer on or before **December 31, 2012**.

HAFA FEATURES

Key requirements

Under Freddie Mac's implementation of HAFA, Servicers must first consider a Borrower for HAMP and then for other home retention workout options before considering the Borrower for HAFA. Once all other home retention workout options have been exhausted, eligible Borrowers must be considered for a HAFA Short Sale in accordance with Chapter D65. If the Borrower is eligible for and agrees to a HAFA Short Sale, but the Mortgaged Premises do not sell within the HAFA marketing period, the Servicer may offer an eligible Borrower a HAFA Deed-in-Lieu if authorized by Freddie Mac.

Eligibility requirements

Among other eligibility and evaluation criteria, Chapter D65 requires that the following eligibility requirements be met:

- Borrower must be more than 60 days delinquent
- Borrower's Cash Reserves must be less than the greater of $5,000 or three times the current monthly payment

Financial parameters

The following financial parameters are unique to a HAFA and differentiate HAFA from a Freddie Mac short payoff or deed-in-lieu under Chapter B65:

- Each subordinate lien holder, in order of priority, may be paid no more than 6% of the unpaid principal balance of their loan, until the $6,000 aggregate cap is reached, in exchange for release of the subordinate liens and satisfaction of the underlying debts
- Freddie Mac will accept the short sale minimum acceptable net proceeds in satisfaction of the amount owed under the Note and release of its lien
- No cash contributions or promissory notes will be requested or accepted from the Borrower by Freddie Mac. Subordinate lien holders must also agree to release all liens without promissory notes or contributions from the Borrower in order for the Borrower to be eligible for HAFA.

Incentive compensation

Freddie Mac will pay Servicers $2,200 for every HAFA Short Sale and $1,500 for every HAFA Deed-in-Lieu completed in accordance with Chapter D65.

Following the successful closing of a HAFA Short Sale or HAFA Deed-in-Lieu, the Borrower will be entitled to an incentive payment of $3,000 to assist with relocation expenses.

Forms

HAFA provides for the use of standard forms that will reduce complexity and improve response times. The forms that must be used for HAFA solutions offered to Freddie Mac's Borrowers are identified in Section D65.1(b) and are available on our web site at **http://www.freddiemac.com/singlefamily/service/hafa.html** under the Borrower Solicitation and Documentation tab.

Reporting to Fannie Mae as program administrator

Servicers will be required to provide periodic HAFA loan-level data to Fannie Mae in its capacity as program administrator for Treasury ("Program Administrator"). HAFA Servicer incentives and reimbursements for Servicer advances will be paid through the Program Administrator's payment process.

Servicers must refer to and comply with the reporting requirements published by the Program Administrator on **http://www.HMPadmin.com**.

Reporting to Freddie Mac

In addition to reporting HAFA data to the Program Administrator, Servicers must report certain loan-level data to Freddie Mac. Servicers must use the following existing electronic default reporting (EDR) codes, as applicable, beginning with the first EDR reporting cycle after the Servicer's implementation:

- Event code **HB** – To report that a Mortgage is being reviewed for a short sale at the Borrower's request or response to the Servicer's solicitation
- Event code **HC** – To report that a Mortgage is ineligible for a short sale
- Default action code **09** ("Forbearance Plan") and reason code **015** ("Other") – During the time the Mortgaged Premises are being marketed for a HAFA Short Sale

In addition, Freddie Mac will be implementing the following new EDR codes and will communicate to Servicers at a later date the mandatory effective date for reporting these new codes:

- Default action code **HF** to notify Freddie Mac that the Borrower has executed the Form 1135, *Short Sale Agreement*
- Reason code **HAF**, together with the default action code **09** ("Forbearance Plan"), during the marketing period

Exhibit 82, *Electronic Default Reporting Transmission Code List*, will be updated at a later date to reflect these new reporting codes.

Finally, until otherwise directed by Freddie Mac, Servicers must track certain key loan-level HAFA activity and data in a Microsoft Excel spreadsheet and submit the spreadsheet to Freddie Mac on a monthly basis. The spreadsheet must be submitted electronically to Freddie Mac at **HAFA@freddiemac.com** within the first three Business Days of each month. Servicers must begin reporting loan-level HAFA activity utilizing the spreadsheet beginning in the first month after the Servicer's implementation.

The template and instructions for completing the spreadsheet are available on the Reporting and Incentives tab of our HAFA web page at **http://www.freddiemac.com/singlefamily/service/hafa.html**.

CONCLUSION

Freddie Mac remains focused on assisting troubled Borrowers with Freddie Mac Mortgages avoid foreclosure whenever possible. The changes announced in this Bulletin are part of our ongoing efforts to promote sustainable homeownership and stabilize communities and neighborhoods across the nation.

If after reviewing this Bulletin you have any questions about HAFA or Freddie Mac's role in HAFA, please contact your Freddie Mac representative or call (800) FREDDIE.

Servicers can also enroll in the *Home Affordable Foreclosure Alternatives (HAFA)* webinar, a comprehensive HAFA training session available through Freddie Mac's Learning Center. Additional training opportunities are also available through the Learning Center, including tools and resources that focus on HAMP.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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We make home possible®

Bulletin

NUMBER: 2010-13

TO: Freddie Mac Sellers June 15, 2010

SELLING CHANGES

INTRODUCTION

We have amended certain requirements in the *Single-Family Seller/Servicer Guide* ("Guide") related to:

- Planned Unit Developments
- Freddie Mac Relief Refinance Mortgages℠ – Same Servicer, and Freddie Mac Relief Refinance Mortgages℠ – Open Access
- Interested party contributions

We have removed the restriction that requires Sellers to obtain Freddie Mac approval to sell Texas Equity Section 50(a)(6) Mortgages.

In addition, we are advising Sellers of requirements regarding the selection of the appropriate loan-to-value (LTV) ratio range in connection with the sale of Section 502 GRH Mortgages for Cash through the Selling System.

We are also reminding Sellers of the loan-level origination data requirements discussed in Bulletin 2009-27 that will soon become effective.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

Planned Unit Developments (PUDs)

We are rescinding project review requirements announced in Bulletin 2009-24, for Mortgages secured by units in PUDs and reverting back to the eligibility requirements in place prior to that Bulletin, with the exception of the PUD appraisal requirements and the allowance of reciprocal project reviews, which remain in effect. We continue to assess our PUD eligibility requirements to determine whether to make future changes.

Guide Chapter 43, *Special Warranties for Planned Unit Developments,* has been revised to reflect the rescinded changes.

Relief Refinance Mortgage Enhancements

To increase eligibility and streamline our requirements, we have revised the requirements for Relief Refinance Mortgages – Same Servicer, and Relief Refinance Mortgages – Open Access to:

- Permit the omission of a Borrower, for any cause not exclusively due to death or divorce, and require that the omitted Borrower be removed from the deed and not retain any ownership interest in the Mortgaged Premises
- Permit an increase in the amount of a junior lien for reasons not related to the Relief Refinance Mortgage transaction

Relief Refinance Mortgages – Open Access

In addition to the revised requirements listed above, for Relief Refinance Mortgages – Open Access we are permitting the addition of a Borrower, provided that at least one Borrower(s) from the Mortgage being refinanced is retained. A non-occupying Borrower may not be added to a Mortgage secured by a Primary Residence.

Chapter A24, *Freddie Mac Relief Refinance Mortgages – Same Servicer*, and Chapter B24, *Freddie Mac Relief Refinance Mortgages – Open Access*, have been revised to reflect these changes.

Interested party contributions

We are revising our eligibility requirements and providing additional information related to the types of permissible interested party contributions for Mortgages eligible for sale to Freddie Mac. The changes state that funds paid by the property seller that are fees or costs customarily paid by the property seller according to local convention are not subject to the maximum financing concession limitations.

Mortgages with any abatement (that is, funds provided to a lender or third party by an interested party to pay or reimburse in whole or in part a certain number of monthly payments of principal, interest, taxes, insurance and other assessments on the Borrower's behalf in excess of Prepaids/Escrows associated with the Mortgage closing) are not eligible for sale to Freddie Mac.

Chapter 25, *Secondary Financing and Other Financing Agreements*, and the Glossary have been changed to reflect these revised requirements.

Texas Equity Section 50(a)(6) Mortgages

Sellers are no longer required to obtain Freddie Mac approval to sell Texas Equity Section 50(a)(6) Mortgages. Sellers with a negotiated term may now deliver these Mortgages in accordance with the requirements of Guide Section 24.8, *Requirements for Texas Equity Section 50(a)(6) Mortgages.*

Section 24.8 has been revised to reflect this change.

Section 502 GRH Mortgages LTV ratio range selection

We are advising Sellers that in connection with the sale of Section 502 GRH Mortgages for Cash through the Selling System, for purposes of the LTV range selection on the Take Out a Cash Contract screen, Sellers must select the LTV ratio as calculated under Freddie Mac's requirements rather than the LTV ratio calculated under the Guaranteed Regulations. We continue to permit the delivery of eligible GRH Mortgages with LTV ratios as calculated using the Guaranteed Regulations for LTV/TLTV ratios, and in addition, as announced in Guide Bulletin 2010-9, the LTV/TLTV ratio cannot exceed 115%, as calculated under the requirements of Section 23.2, *Calculating LTV, TLTV and HTLTV ratios*.

Loan-level origination data requirements

In Bulletin 2009-27, Freddie Mac provided additional information regarding new loan-level origination data requirements for Mortgages with application dates on or after July 1, 2010. As a reminder, for these Mortgages Freddie Mac will collect:

- Loan Originator identifiers that are assigned by the Nationwide Mortgage Licensing System (NMLS) and are required pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("SAFE Mortgage Licensing Act")
- Loan Origination Company identifiers that are assigned by the NMLS
- Appraiser's State license number issued by the State in which the subject property is located
- Supervisory appraiser's State license number, if applicable

Appraiser State license numbers

As provided in Bulletin 2009-27, **Sellers must deliver appraiser's State license numbers for all Mortgages with application dates on or after July 1, 2010**, regardless of whether identifiers are available for Loan Originators and Loan Origination Companies.

Loan Originator/Loan Origination Company identifiers

With respect to delivery of the unique identifiers for Loan Originators and Loan Origination Companies, we are reminding Sellers of the following requirements provided in Bulletin 2009-27:

State requirements

For Mortgages originated in a State that requires Loan Originators and Loan Origination Companies to obtain unique identifiers, Sellers must ensure that the identifiers are provided on Form 65, *Uniform Residential Loan Application*, and must deliver the identifiers on Form 11, *Mortgage Submission Schedule*, or Form 13SF, *Mortgage Submission Voucher*, for Mortgages with loan application dates on or after July 1, 2010. If the State has not yet required Loan Originators or Loan Origination Companies to obtain identifiers, Sellers are not required to enter the identifiers on Form 65 or to deliver this information on Form 11 or Form 13SF. Once the State requires Loan Originators and/or Loan Origination Companies to obtain identifiers, Sellers must deliver this data for Mortgages with application dates on or after the date the requirement becomes effective.

Federal requirements

If a Seller is a federally regulated institution and the Seller's appropriate federal regulator has not yet required registration of the Loan Originators and/or Loan Origination Companies, the Seller will not be required to enter the Loan Originator and/or Loan Origination Company identifier on Form 65 or to deliver this information on the Form 11 or Form 13SF. Once Loan Originator and/or Loan Origination Company identifiers are required, Sellers must deliver this data for Mortgages with application dates on or after the date the requirement becomes effective.

Additional information

- Visit **http://www.csbs.org** for guidance on obtaining unique identifiers through NMLS
- Visit **http://www.stateregulatoryregistry.org** to find out how to register with NMLS
- View FHFA's original press release, *FHFA Announces New Mortgage Data Origination Requirements*
- Visit http://www.freddiemac.com/sell/secmktg/new_details.htm for information about Freddie Mac delivery requirements for FHFA-required loan-level origination data

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 24, A24, B24, 25, 37, 43, and 44
- Glossary

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-14

TO: Freddie Mac Servicers June 18, 2010

SUBJECT: AMENDMENT TO FREDDIE MAC'S HAMP BACKUP MODIFICATION REQUIREMENTS

Introduction

In *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2010-11, we introduced the Freddie Mac HAMP Backup Modification ("HAMP Backup Modification"), an alternative solution to support Borrowers who were initially eligible for a Home Affordable Modification Program (HAMP) Trial Period Plan based on stated income but have subsequently been determined to be ineligible for a HAMP modification. We also announced a Cap-to-Reinstate modification option for Borrowers ineligible for a HAMP Backup Modification.

With this Guide Bulletin, we are revising certain eligibility, solicitation and reporting requirements for HAMP Backup Modifications. We are also revising the settlement timeline to submit a HAMP Backup Modification and Cap-to-Reinstate modification to Freddie Mac.

Servicers must comply with all requirements in Bulletin 2010-11 except as set forth below.

Eligibility requirements

The HAMP Backup Modification option applies to all active stated income HAMP Trial Period Plans with a Trial Period Plan Effective Date on or before **May 1, 2010** (previously April 1, 2010).

Borrowers with HAMP Trial Period Plans reported as canceled prior to April 1, 2010 are ineligible. Borrowers with Trial Period Plans canceled on or after April 1, 2010 are eligible, provided the Trial Period Plan was canceled for one of the following reasons:

- The Borrower's monthly housing expense-to-income ratio, based on verified income documentation, was less than 31%
- A HAMP Target Payment that is as close as possible to, but not less than, 31% of the Borrower's gross monthly verified income could not be reached using the HAMP modification waterfall without violating the net present value requirement or principal forbearance limits; or
- The Borrower failed to provide all income documentation required for a HAMP modification

For HAMP Trial Period Plans canceled on or after **April 1, 2010** where the Borrower has not continued to make all payments after receipt of the HAMP Borrower Notice (Notice of Non-Approval), Servicers must attempt to collect from the Borrower all of the payments not received since the Trial Period Plan was canceled. Borrowers who are unable to submit **ALL** post-Trial Period payments will not be eligible for a HAMP Backup Modification.

However, if the Servicer elects to add an interim month when preparing Form 1151, *Freddie Mac HAMP Backup Modification Agreement,* because the Borrower remitted his or her payment after the first of the month, the Borrower is not required to remit a payment for this interim month. In the event the Borrower does not remit a payment for the interim month, the Servicer must capitalize the interest portion of the missed interim month payment together with all other approved amounts that may be capitalized.

HAMP Backup Modifications and Cap-to-Reinstate modifications must have a first modified payment due date on or before **September 1, 2010** (previously August 1, 2010). Servicers must submit to Freddie Mac all information and documentation required to close the modification in Freddie Mac's systems no later than the fourth Business Day of the month in which the first modified payment is due**.**

HAMP Backup Modification offer

If a Borrower has made three HAMP Trial Period payments by the date of this Bulletin and otherwise meets the HAMP Backup Modification eligibility requirements, Servicers must cancel the HAMP Trial Period Plan and evaluate the Borrower for a HAMP Backup Modification. The Servicer must send an eligible Borrower a HAMP Backup Modification offer, including two original HAMP Backup Modification Agreements, **no later than 30 calendar days from the date of this Bulletin**. This change provides Servicers an additional 30 calendar days beyond the date required under Bulletin 2010-11 to evaluate such Borrowers and send HAMP Backup Modification offers.

If a Borrower has not yet made three HAMP Trial Period payments by the date of this Bulletin, but otherwise meets the HAMP Backup Modification eligibility requirements, Servicers must send an eligible Borrower the HAMP Backup Modification offer within 10 Business Days of the Servicer's determination that the Borrower is not eligible for a HAMP modification. The Servicer may, in its discretion, include two original HAMP Backup Modification Agreements with the offer.

Restrictions on modification due to false or misleading information

The Servicer must not modify a Mortgage if there is reasonable evidence indicating the Borrower submitted false or misleading information or otherwise engaged in fraud in connection with the modification. The Servicer must use good business judgment in determining whether the evidence is reasonably indicative of a Borrower's intentional misrepresentation or submission of false or misleading information.

Reporting requirements

Servicers must provide to Freddie Mac a report containing all Mortgages that were in an active HAMP Trial Period Plan with a Trial Period Plan Effective Date on or before **May 1, 2010** (previously April 1, 2010), which the Servicer determined to be ineligible for a HAMP modification, and is considering for or has processed as a HAMP Backup Modification. The template for the report is available on our web site at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html.

Servicers must submit this report to WKOUT_HAMP_RECON@freddiemac.com no later than the fourth Business Day of each month.

CONCLUSION

Freddie Mac remains focused on assisting troubled Borrowers with Freddie Mac-owned Mortgages avoid preventable foreclosure. The changes announced in this Bulletin are part of our ongoing efforts to promote sustainable homeownership and stabilize communities and neighborhoods across the nation.

If you have any questions after reviewing this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select “Servicing” from the menu.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Industry Letter

To: Freddie Mac Servicers and Sellers June 25, 2010

Subject: Problem Drywall

Freddie Mac is focused on helping Borrowers keep their homes. We continually monitor events occurring in the housing market that may cause an unexpected hardship impacting a Borrower's ability to make Mortgage payments. Through our existing Mortgage relief options in the *Single-Family Seller/Servicer Guide* ("Guide"), we provide Servicers with a number of tools to help affected Borrowers attempting to stay current on their Mortgage in difficult times.

The purpose of this Industry Letter is to remind Servicers that they may grant forbearance under the Guide on a case-by-case basis to Borrowers with Mortgages secured by single-family homes that contain "problem drywall" and where the property ownership may be in jeopardy. This relief option helps Borrowers shoulder unexpected costs of remediating problem drywall and succeed as long-term homeowners despite the impact of this adverse condition. We are also providing Servicers guidance with respect to our expectations when Servicers become aware of problem drywall.

Finally, we are reminding Sellers of our property eligibility requirements and the Guide representations and warranties related to property value, condition and marketability.

Background

There have been numerous reports of foul odors and corrosion of metal, such as electrical components and wiring, in homes resulting from problem drywall. A federal government study based on these reports recently found a strong correlation between certain imported drywall, elevated levels of hydrogen sulfide gas in the homes and metal corrosion. The vast majority of reported cases of problem drywall are from Gulf Coast States and Virginia.

Forbearance options

For Borrowers with homes that have problem drywall, Freddie Mac's forbearance policies give Servicers the discretion to suspend a Borrower's Mortgage payments for up to three months or reduce payments for up to six months.

Servicers may recommend forbearance to Freddie Mac for up to 12 months based on a Borrower's individual circumstances. Factors that Servicers must consider when determining whether to recommend forbearance for up 12 months for Borrowers with problem drywall include, but are not limited to, the Borrower's capacity to cure the problem and whether there are other forms of financial assistance available to the Borrower to assist in the remediation of the property.

To recommend forbearance for up to 12 months for Borrowers with problem drywall, Servicers must submit a request, in accordance with Guide Section A65.25 and other applicable Guide requirements, to our Special Asset Unit at **distressed_property@freddiemac.com.**

Under Freddie Mac's requirements, Servicers must not accrue or collect late charges from Borrowers during forbearance or any subsequent repayment plan period if the Borrower is paying according to the forbearance agreement.

Servicers should review Guide Chapter A65, *Reinstatements and Relief*, for additional information.

Additional information

Servicers should familiarize themselves and comply, as applicable, with Section 67.27, which sets forth the special Servicing requirements for distressed properties.

If a decision is made to grant forbearance to a Borrower whose home is impacted by problem drywall, the Servicer must report the forbearance via Electronic Default Reporting using default action code 09, *Forbearance Plan*, together with default reason code 015, *Other*.

Seller representations and warranties – Mortgaged Premises

As a reminder, for Mortgages sold to Freddie Mac, Sellers must make the value, condition and marketability representations and warranties required by Section 44.11(a) as of the Settlement Date.

If a Seller cannot make these representations and warranties, the loan is not eligible for sale to us. Sellers are responsible for establishing appropriate procedures and controls to minimize the risk of future liability arising from a warranty violation.

More information

While Freddie Mac is not able to help Borrowers determine if they have problem drywall or remediate a home affected by problem drywall, Borrowers can visit the U.S. Consumer Product Safety Commission's (CPSC) Drywall Information Center at **http://www.cpsc.gov/info/drywall/index.html** for guidance in identifying problem drywall and remediation. The CPSC is the lead federal agency in the Federal Interagency Task Force currently investigating problem drywall and results of its ongoing research are available on the Drywall Information Center.

Conclusion

Freddie Mac shares the concerns of its Servicers about the effects problem drywall may have on Borrowers and continues to monitor the situation carefully. We will provide updated information if appropriate.

We appreciate the assistance Servicers continuously provide to Borrowers regarding options for local, State or federal assistance.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-15

TO: Freddie Mac Sellers and Servicers June 28, 2010

SUBJECT: FREDDIE MAC IMPLEMENTATION GUIDE FOR LOAN DELIVERY DATA PUBLISHED

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is announcing the publication of the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD") detailing Freddie Mac specific requirements for implementation of the Uniform Loan Delivery Dataset (ULDD) components applicable to loans delivered to Freddie Mac.

Background

The Federal Housing Finance Agency (FHFA) has directed Freddie Mac and Fannie Mae ("GSEs") to work together to improve the consistency and quality of loan data through a Uniform Mortgage Data Program, announced in a news release dated May 24, 2010.

In a Single-Family Advisory e-mail dated June 8, 2010, Freddie Mac announced publication of the Uniform Loan Delivery Data Specification ("Delivery Specification"), which was jointly developed with Fannie Mae. The Delivery Specification defines and documents the common GSE-approach to the ULDD and provides the technical framework for developing the loan delivery file that will be required for all loans delivered to *either* GSE on or after **September 1, 2011.**

The ULDD identifies data points that at loan delivery may be:

- Required - data points required for all loan deliveries to both GSEs
- Conditionally required - required for loan deliveries to both GSEs when a defined business condition exists (e.g., adjustable-rate Mortgages (ARMs))
- Conditionally independent - GSE-specific data points required for all loan deliveries to one of the GSEs, but not both, when a defined business condition exists
- Optional - reserved for future use

FREDDIE MAC IMPLEMENTATION GUIDE FOR LOAN DELIVERY DATA

While Freddie Mac and Fannie Mae jointly developed the Delivery Specification, each GSE will continue to exercise independent business judgment in evaluating, adopting and maintaining business terms, credit policies, and analytics. The Freddie Mac IG-LD published today details the requirements for implementing the ULDD components applicable to loans sold to Freddie Mac, and can be found in the new Uniform Mortgage Data Program area of our web site at http://www.freddiemac.com/sell/secmktg/uniform_mortgage.html.

These requirements are effective for all loans delivered to Freddie Mac on or after **September 1, 2011**.

The Freddie Mac IG-LD is comprised of the following documents:

- Freddie Mac Implementation Guide for Loan Delivery Data Business Summary ("Business Summary")
  - Exhibit 1, *Business Users Guide to the Uniform Loan Delivery Dataset*
- The Freddie Mac Selling System ("Selling System") MISMO® eXtensible Markup Language (XML) Technical Specification, v1.0.01 ("Technical Specification") with the following supporting appendices:
  - Appendix A – XML Data Requirements
  - Appendix B – Test Case Scenarios
  - Appendix C – XML Samples

Business Summary

The Business Summary, which is designed for business executives and analysts, provides a high-level understanding of Freddie Mac's implementation of the ULDD, and includes a discussion of Freddie Mac's implementation strategy and timeline, with resources and information regarding how Sellers can prepare for the delivery of loan data in the new MISMO-based file format.

Business Summary Exhibit 1, *Business Users Guide to the Uniform Loan Delivery Dataset*, identifies all the data points that Freddie Mac will require for loan deliveries, including data points for specific loan types, loan features and business conditions.

Technical Specification

The Technical Specification is designed for a technology provider or development organization that plans to build or update an interface to the Selling System. Among other things, the Technical Specification, which functions as a comprehensive developer's guide, provides the following guidance:

- Implementation of a subset of the MISMO Version 3.0 Reference Model that will be used in the Selling System
- Creation of a well-formed XML file in accordance with the MISMO Version 3.0 Reference Model
- Data mapping, field formats, valid field values and the hierarchical container structure applicable to the Selling System's usage of the loan delivery XML file
- Explanation of how systems need to transmit or import data to the Selling System

REVISIONS TO THE GUIDE

Prior to **September 1, 2011**, we will update the Guide to reflect the requirements for delivering loan data in accordance with the Freddie Mac IG-LD.

Once the MISMO-based loan delivery requirements become effective, Guide Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*, will be retired and loan delivery data may only be imported to the Selling System using the MISMO XML loan delivery file format.

ADDITIONAL INFORMATION REGARDING THE UNIFORM MORTGAGE DATA PROGRAM, DELIVERY SPECIFICATION AND FREDDIE MAC IG-LD

Additional information about the Uniform Mortgage Data Program, the Delivery Specification and the Freddie Mac IG-LD can be found in the Uniform Mortgage Data Program area on our web site at http://www.freddiemac.com/sell/secmktg/uniform_mortgage.html.

CONCLUSION

The Freddie Mac IG-LD provides unique Freddie Mac-specific loan delivery data implementation requirements in support of the Uniform Mortgage Data Program. Publication of our Implementation Guide is the next step in our efforts to improve data quality and offer Sellers greater confidence that the loan data they deliver to us is complete and accurate.

If you have any questions about the Uniform Mortgage Data Program, the Delivery Specification, or the Freddie Mac IG-LD, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-16

TO: Freddie Mac Sellers and Servicers July 16, 2010

SUBJECTS

Both selling and Servicing requirements are amended with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin.

Selling requirements

We are providing additional guidance related to our Florida Condominium Effort.

Servicing requirements

We are making the following changes to our **Servicing requirements**:

- Requiring that all parties to a short payoff transaction execute an affidavit stating that the transaction is an arm's length transaction
- Requiring Servicers to begin reporting the previously announced new Home Affordable Foreclosure Alternative (HAFA)-specific electronic default reporting (EDR) codes beginning **September 1, 2010**
- Requiring that payment of Servicer Non-Performing Loans Invoices be made via an Automated Clearing House (ACH) draft
- Providing additional guidance on Servicer obligations for Mortgages that have reached maturity
- Providing additional guidance related to property inspections
- Introducing a new expense code for the reimbursement of costs associated with the transfer of title on properties titled under the Torrens system in the state of Minnesota
- Revising the time frame within which Freddie Mac will reimburse Servicers for amounts owed to them as a result of a Guide Form 104SF, *Statement of Loan, Workout and REO Expense and Income*, audit
- Instructing Servicers on the required method of sending us income when there are no Form 104SF expenses to offset the income

Additionally, Freddie Mac is advising Servicers of updates to Guide Exhibit 51, *Credit Repositories and Information to Report*, Form 1132, *Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH)*, and Directory 5 to reflect current information.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

SELLING REQUIREMENTS

Florida Condominium Effort

In Bulletin 2010-8, we announced our Florida Condominium Effort. Under this effort, Sellers are exempt from certain Condominium Project requirements and representations and warranties for purchase transaction Mortgages secured by Condominium Units located in Florida when Freddie Mac owns the Mortgage on the unit and certain other conditions are met.

We are revising Guide Chapter 42, *Special Warranties for Condominiums*, to *also* exempt Sellers from these requirements and representations and warranties when the subject property is Freddie Mac Real Estate Owned.

Guide Section 42.7, *Other Condominium Projects*, has been updated to reflect this change.

SERVICING REQUIREMENTS

Short payoff arm's length affidavit

In order to help ensure the integrity of short payoffs of Freddie Mac Mortgages, we are requiring that all parties to a short payoff transaction processed under Chapter B65, *Workout Options*, execute an affidavit attesting to the arm's length nature of the transaction.

Servicers will be required to obtain an arm's length affidavit prior to or at the time of the closing of the sale of the Mortgaged Premises for all short payoffs authorized pursuant to Sections B65.35-B65.41 submitted to Freddie Mac for approval on or after **September 1, 2010** or approved by a Servicer on or after September 1, 2010 pursuant to a Servicer's delegations. Servicers will be required to provide Freddie Mac with a copy of the arm's length affidavit upon our request.

Chapter B65 has been updated to reflect this change.

HAFA EDR requirements

As previously communicated to Servicers by e-mail on June 23, 2010, Freddie Mac has implemented the two new HAFA-specific EDR codes first announced on June 1, 2010 in Bulletin 2010-12. The two new codes, implemented on June 28, 2010, are:

- Default action code **HF** (Short Sale Agreement (SSA) – Borrower Execution) - Report this code to notify Freddie Mac that the Borrower has executed the Form 1135, *Short Sale Agreement*
- Default reason code **HAF** (Home Affordable Foreclosure Alternative) - Report this code with default action code "09" in the month following the Effective Date of the SSA, and each month thereafter, for as long as the Mortgaged Premises are being marketed for a HAFA Short Sale. (The Effective Date of the SSA is the date the SSA is mailed to the Borrower.)

Servicers may begin reporting these new codes to us via EDR as soon as they are ready; however, they must report these codes beginning **September 1, 2010,** and each month thereafter, for the prior month's activity. These codes must be reported in addition to all other applicable EDR codes required under Section 64.10, *Monthly Electronic Default Reporting (EDR)*, Section C65.11, *HAMP activity reporting requirements*, Section D65.10, *Reporting requirements*, and Exhibit 82, *Electronic Default Reporting Transmission Code List*.

Servicers should review the recently revised EDR Quick Reference Guide, available on our web site at http://www.freddiemac.com/learn/pdfs/service/edr_quickref.pdf for detailed information on Freddie Mac's EDR requirements, including detailed instructions on reporting requirements for EDR codes, accessing and utilizing EDR reports and correcting errors.

With the implementation of the two new EDR codes described above, beginning **September 1, 2010**, Servicers will no longer be required to send Freddie Mac a monthly spreadsheet of loan-level HAFA activity (i.e., the temporary reporting requirements currently required under Section D65.10(b)). Servicers that report these new codes via EDR prior to the mandatory effective date, may discontinue sending the spreadsheet to Freddie Mac beginning with the first month in which they report the new codes through EDR for the prior month's activity.

Chapter D65, *Home Affordable Foreclosure Alternatives* and Exhibit 82, *Electronic Default Reporting Transmission Code List*, have been updated to reflect this change.

Requirements for MIDANET® Users

Before a Servicer can begin using the new HAFA EDR codes, the Servicer must be using MIDANET version 98.03.70 or higher. If a Servicer is not using this version or a higher version, the Servicer should go to the MIDANET main menu and complete the following actions:

1. Select "Option 4 – Communications"
2. Choose "Option 1 – Receive Other Data"
3. MIDANET will then automatically download the next sequential version based on the version currently being used
4. Log off MIDANET and log back into the system

Servicers will need to repeat these steps until they have upgraded to version 98.03.70.

We strongly encourage Servicers to update MIDANET each time a new version is made available to ensure they are receiving the most up-to-date system capabilities.

Servicer Non-Performing Loans Invoices

Effective for all Servicer Non-Performing Loans Invoices sent on or after **November 1, 2010**, Servicers must remit payment of the invoice via an ACH draft. The ACH payment method will make the payment process more efficient by:

- Lowering the overall cost of paying fees
- Reducing the payment cycle time
- Eliminating the risk of lost checks
- Eliminating finance charges for late or lost checks

Servicers who are not already paying Servicer Non-Performing Loans Invoices with an ACH draft must:

- Establish an ACH draft account by completing Form 1132 and returning it to the address provided on the form no later than **September 30, 2010**
- Designate a Demand Deposit Account other than a Custodial Account as the Servicer's ACH draft account

Servicers may establish one ACH account for the payment of invoices for both the Performing Loans monthly Servicer Billing Statement and the Servicer Non-Performing Loans Invoice, or establish two separate accounts. In either case, Servicers will need to submit a new Form 1132.

Freddie Mac must receive Form 1132 no later than September 30, 2010 in order for us to draft payment for invoices due and payable on or after November 1, 2010. However, we encourage Servicers to submit Form 1132 as soon as possible. Upon receipt of Form 1132, we will notify the Servicer at the e-mail address provided on the Form 1132 of the first month in which we will begin processing payment via an ACH draft. Customarily, if Form 1132 is received on or before the 15th of the month, the first ACH draft will occur on the last Business Day of that same month for invoices payable on that date.

Upon receiving an invoice, Servicers should review it immediately and promptly contact us at (800) FREDDIE with any questions. We will submit an ACH draft from the Servicer's designated account on the last Business Day of each month.

Chapter 64, *Delinquencies*, Chapter 66, *Foreclosure*, Chapter 71, *Reimbursement of Expenses*, and Chapter 76, *Basics of Investor Accounting*, have been updated to reflect this change.

Mortgage payoff at maturity

Borrowers are obligated to make timely payments to fully amortize the unpaid principal balance (UPB) of the Mortgage by the maturity date specified in the Note. If there are amounts still due under the Note, the Borrower is required to pay those amounts in full on the maturity date.

We have updated the Guide to provide further guidance with respect to a Servicer's obligations concerning Mortgages that have reached their maturity date. Servicers must report the payoff of a matured Mortgage by the second Business Day after the maturity date and remit the payoff proceeds by the fifth Business Day after the maturity date.

If a Servicer fails to report the payoff of a Mortgage that has reached maturity, Freddie Mac will process a payoff transaction for the Mortgage as of the first calendar day of the month following the maturity date. In addition, Servicers will receive an edit if they attempt to report a non-exception transaction in the next accounting cycle following the month of maturity.

Chapter B65, Chapter 76 and Chapter 78, *Reporting and Remitting Requirements*, have been updated to reflect these requirements.

Property inspection requirements

We are providing additional guidance to Servicers concerning their obligations to obtain property inspections. In connection with a delinquent Mortgage, a Servicer must obtain a property inspection between the 45th and 60th day of Delinquency, and again once every month thereafter until the Delinquency is cured or the Borrower has agreed to a repayment plan and has begun and continues to make payments according to the terms of the repayment plan.

Chapter 64 and Chapter 65, *Loss Mitigation*, have been updated to reflect this information.

Torrens Act

In Bulletin 2008-2, we introduced the expense code 010002 Trustee/Attorney Fees – Torrens Act (MN only) for Servicers to more easily obtain reimbursement of up to $500 for the attorney fees related to the Torrens system of titling in Minnesota. We have updated Exhibit 57A, *Approved Attorney Fees and Title Expenses*, to include this expense code.

With this Bulletin, we are announcing new expense code, 300005 Torrens Act – Costs (MN only), which has been created to facilitate reimbursement for costs associated with the transfer of title (e.g., court filing fees and process service fees) on properties titled under the Torrens system in the state of Minnesota. Exhibit 74, *Expense and Income Codes for Form 104SF*, has been updated to reflect this change.

Change to time frame for Form 104SF audit amounts payable to Servicers

We have updated Section 71.27, *Form 104SF and online Form 104SF audits*, to provide that, in the event we owe a Servicer funds as a result of a Form 104SF audit, we will remit those funds to the Servicer within 30 calendar days of the date we notify the Servicer of the audit findings. Previously, the Guide provided that this remittance would be made within 15 calendar days. Although we have increased the time frame in the Guide, we expect that the majority of the expense reimbursements will continue to be remitted to the Servicer within 15 calendar days.

Remitting income outside of Form 104SF

We currently instruct Servicers to report any income (such as a mortgage insurance premium refund) as an offset to expenses on Form 104SF. We have updated Section 71.23, *Expense offsets*, to instruct Servicers on the required method of sending income when there are no Form 104SF expenses to offset the income.

Exhibit 51

Exhibit 51 has been updated to reflect an address and phone number change for Innovis Data Solutions.

Form 1132

Form 1132 has been updated to reflect new mailing information. Effective immediately, Sellers and Servicers must use this updated Form 1132.

Directory 5

Directory 5 has been updated to remove an outdated e-mail address.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 8, 17, 42, 59, 64, 65, B65, D65, 66, 71, 76 and 78
- Exhibits 51, 57A, 74, and 82
- Form 1132
- Directory 5

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2010-17

TO: Freddie Mac Servicers July 28, 2010

SUBJECT: COMPREHENSIVE GUIDE CHAPTER C65 UPDATE AND NEW REQUIREMENTS FOR THE HOME AFFORDABLE MODIFICATION PROGRAM (HAMP)

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are updating Guide Chapter C65, *Home Affordable Modification Program*, to incorporate changes announced in Bulletins 2009-26, 2009-28, 2010-1 and 2010-3, and to incorporate certain Supplemental Documentation - Frequently Asked Questions ("FAQs") posted by the Program Administrator on **www.HMPadmin.com**. With these Bulletins and FAQs incorporated into the chapter, Servicers now have one consolidated source for Freddie Mac HAMP requirements.

We are also updating Chapters B65, *Workout Options*, and C65, to clarify the hierarchy for evaluating Borrowers for loss mitigation alternatives.

The update of Chapter C65 also includes the following changes to Freddie Mac's requirements for HAMP:

New requirements

- Servicer implementation of certain aspects of the United States Department of the Treasury ("Treasury") HAMP Supplemental Directive 10-02 (Borrower Outreach and Communication) ("SD 10-02"), including a revision to our Borrower Notice requirements
- Revisions to income verification requirements, including the elimination of the use of unemployment benefits as a source of income when evaluating a Borrower for a Trial Period Plan
- Seasoning requirements for credit reports
- Transfers of Servicing requirements
- Eliminating weekly Freddie Mac HAMP activity reporting and providing a new template for expense reimbursement
- Introducing a new process under which Servicers must refer a Mortgage to Freddie Mac for review when the Borrower did not qualify for HAMP or other Guide foreclosure alternatives

Additional guidance

- Instructions for completing the Form 1128, *Loss Mitigation Transmittal Worksheet ("LMTW")* specific to the closing of a HAMP modification
- Amounts that may be capitalized under HAMP
- Servicer and Borrower incentive payment process
- Investor reporting and remitting requirements

Servicers should review revised Chapter C65 in its entirety so that they have a clear understanding of Freddie Mac's requirements with respect to HAMP.

To help Servicers familiarize themselves with the updated Chapter C65 and the new requirements, Freddie Mac is offering a new HAMP webinar, *Home Affordable Modification Program (HAMP): What's New*, available through Freddie Mac's Learning Center. Additional information can be found at **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?srsNum=HAMP_WN**.

EFFECTIVE DATES

All changes included in this Bulletin are effective immediately except as otherwise noted.

UPDATES TO THE GUIDE

Updates to Chapter C65

With this Bulletin, we are updating Chapter C65 to incorporate the changes to HAMP requirements announced in Bulletins 2009-26, 2009-28, 2010-1 and 2010-3.

Since Trial Period Plan offers with effective dates on or after **June 1, 2010** must be based on **full verification** of Borrower eligibility after the Servicer receives the "Initial Package" as defined in Chapter C65, we have created new Guide Section C65.18, *Stated income process*, that provides the requirements for determining final eligibility for Borrowers offered a Trial Period Plan based on stated income with a first Trial Period payment due date on or before May 1, 2010.

We have also incorporated into updated Chapter C65 certain FAQs posted by the Program Administrator on **www.HMPadmin.com**. The incorporated FAQs give additional clarity to Freddie Mac's requirements related to eligibility, documentation and verification, the Net Present Value (NPV) evaluation, the sequential process to achieve a Target Payment, HAMP incentives and requirements for the Trial Period and conversion to a permanent modification not previously addressed in Chapter C65 or past HAMP Bulletins. In addition, with respect to Section P of the FAQs, we have posted *Home Affordable Modification Program Government Monitoring Data Requirements for Freddie Mac-Owned Mortgages*, a corresponding set of frequently asked questions setting forth Freddie Mac's requirements concerning government monitoring data. These requirements are available at **http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html**.

Loss mitigation alternatives hierarchy

We have updated Chapter C65 to clarify our expectations with respect to a Servicer's consideration of Borrowers for reinstatement and relief options available in Chapter A65, *Reinstatement and Relief Options*, prior to evaluating Borrowers for HAMP.

We have also updated Chapter B65 to reflect this guidance.

Revised HAMP letters

Form 1119, *HAMP Counseling Referral Letter*, Form 1120, *Proactive Solicitation Letter*, and Form 1121, *Documentation Request Letter*, have been updated to reflect revised documentation and verification requirements. These letters are available for download at **http://www.freddiemac.com/singlefamily/service/mha_modification.html**.

Servicers may use their own proprietary version of Forms 1120 and 1121; however, if Servicers elect to do so, they must include a notice regarding foreclosure rescue scams and availability of HUD-approved counselors as required under revised Section C65.5(a).

Automated Valuation Model (AVM) collateral values reports

We are advising Servicers that we are continuing to post our AVM collateral values report for Mortgages that are 31 days or more delinquent on our HAMP web site.

Additional Guide updates

Updates to Chapter B65

We have updated Chapter B65 to include the following changes announced in Bulletins 2009-28 and 2010-1, respectively, that apply to all Mortgages:

- A revision to the capitalization threshold for purposes of determining when title insurance must be obtained and when recordation of the Modification Agreement is required
- Elimination of the requirement to obtain a subordination agreement from any junior lien holder unless the title insurer requires it

Updates to Exhibits 4 and 5

We have updated Exhibit 4, *Single-Family Uniform Instruments*, and Exhibit 5, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, to reflect removal of the Home Affordable Modification Program Trial Period Plan (Form 3156, dated 3/09 (rev. 8/09)) and related authorized changes, respectively. On or after March 1, 2010, a Servicer may no longer use Form 3156 when sending a Trial Period Plan offer to a Borrower.

Update to Exhibit 88, Servicing Tools

We have updated Exhibit 88, *Servicing Tools*, to add Imminent Default Indicator™ to the list of tools and applications available to help Servicers assist them in the monitoring and Servicing of Mortgages for Freddie Mac.

NEW REQUIREMENTS

Implementation of Supplemental Directive 10-02

In an ongoing effort to improve program effectiveness, Treasury updated the requirements related to Borrower outreach and communication, especially with respect to the initiation and continuation of foreclosure actions and the extension of HAMP benefits to Borrowers in bankruptcy.

Servicers must comply with Freddie Mac's requirements as they relate to the implementation of SD 10-02 for Borrowers who become 31 days delinquent on or after **September 1, 2010**. Specifically, Freddie Mac Servicers must comply with:

- Revised Section C65.5, *Borrower solicitation*, which provides the requirements for Borrower solicitation, including a definition of what constitutes "reasonable solicitation" efforts
- New Section C65.5.1, *Acknowledgement of Initial Package and verification of eligibility*
- New Section C65.7.1, *Foreclosure actions and Borrowers in bankruptcy*

If, prior to **September 1, 2010**, a Servicer has proactively solicited a Borrower who is 31 or more days delinquent, the Servicer is not required to comply with the revised solicitation requirements when soliciting the Borrower, provided the Servicer's solicitation efforts met Freddie Mac's solicitation requirements in effect at the time the Servicer began to solicit the Borrower.

Revisions to Borrower Notice requirements

In light of Freddie Mac's requirements as they relate to the implementation of SD 10-02, we have revised our Borrower Notice requirements to instruct Servicers to include in the non-approval Borrower Notice, among other things:

- Certain Treasury NPV input values and the date of the Treasury NPV calculation
- A specific date by which the Borrower must respond, which must be **no later than 20 calendar days** from the date of the notice, if the Borrower wishes to contest or appeal any of the disclosed values used to populate the Treasury NPV input fields

This change is effective for Borrower Notices sent on or after **September 1, 2010**.

Section C65.12(b) has been updated to reflect this change.

Revisions to income requirements

Eliminating the use of unemployment benefit income for HAMP evaluations

We are revising our income verification requirements to provide that Servicers may no longer consider unemployment benefits as a source of income when evaluating a Borrower for a Trial Period Plan under HAMP. This change is effective for Trial Period Plan Effective Dates on or after **November 1, 2010**, although Servicers are strongly encouraged to implement this change as soon as possible.

Servicers must consider Borrowers who are unemployed for our forbearance relief options prescribed in Chapter A65.

Complete income verification requirements can be found in new Section C65.5.1.

Imminent default evaluations and inclusion of eligible non-obligor household income

We are revising our imminent default requirements to permit Servicers to include income from eligible non-obligors (or non-Borrowers) who occupy the property as their Primary Residence when performing the imminent default evaluation.

Refer to new Section C65.5.2, *Determining imminent default*, for all requirements related to the imminent default evaluation.

Seasoning requirement for credit reports

We are updating our requirements for credit reports obtained to verify property eligibility and underwrite a Borrower for a modification under HAMP to require that these credit reports may not be more than 90 days old.

Sections C65.5.1(b) and C65.6, *Underwriting the Borrower*, have been updated to reflect this new requirement.

Transfers of Servicing

Servicers must comply with the HAMP Reporting Transfer Process announced by the Program Administrator on March 18, 2010 and outlined on **www.HMPadmin.com** in addition to Freddie Mac's Transfer of Servicing requirements provided in Chapter 56, *Transfers of Servicing*, and Sections C65.8(g) and C65.17(c). The Transferor Servicer must obtain approval from Freddie Mac for the Transfer of Servicing on a Mortgage in a Trial Period or modified under HAMP **before** notifying the Program Administrator of the proposed Transfer of Servicing.

We have updated Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*, to require Servicers to indicate whether the Transfer of Servicing includes Mortgages in an active Trial Period Plan under HAMP and whether any of these Mortgages were modified electronically.

Revisions to reporting requirements

Elimination of weekly Freddie HAMP activity reporting

We are revising our HAMP activity reporting requirements to eliminate the requirement that Servicers submit to Freddie Mac a separate weekly loan-level data file that includes the data that Servicers are required to send to the Program Administrator.

In addition, Servicers no longer need to provide the weekly solicitation spreadsheet to Freddie Mac because they are required to provide their solicitation data to Freddie Mac via the monthly Electronic Default Reporting (EDR) in accordance with the requirements of Section C65.11, *HAMP activity reporting requirements*.

Section C65.11 has been revised to reflect these changes.

New template for HAMP reimbursement requests

Section C65.8, *Other general requirements*, provides Servicers with the requirements for requesting reimbursement of certain costs associated with a modification under HAMP. To make the reimbursement request process more efficient for Servicers, we recently created a new template ("Spreadsheet for HAMP Reimbursement") in the form of a Microsoft Excel® spreadsheet that Servicers must use when requesting reimbursement of such costs.

The Spreadsheet for HAMP Reimbursement is available on our web site at **http://www.freddiemac.com/singlefamily/service/mha_modification.html.** The Spreadsheet for HAMP Reimbursement must be submitted to **overallowables@freddiemac.com** by the fifth Business Day of the month for all expense reimbursement requests on modifications completed in the prior month.

Section C65.8 has been updated to reflect this change.

New process to refer Mortgages of non-qualified Borrowers for review

We are introducing a new process under which Servicers must refer a Mortgage to Freddie Mac for review if a Borrower did not qualify for or did not accept a Trial Period Plan under HAMP and was determined by the Servicer as ineligible for other alternatives to foreclosure under the Guide. Freddie Mac performs this review to determine whether the Servicer evaluated the Mortgage in accordance with the HAMP requirements ("Second Level Review").

Freddie Mac has engaged Home Retention Services to assist with Second Level Reviews specific to HAMP. To expedite timely review, the documentation set forth in Section C65.6(b), Step 6, must be submitted directly to Home Retention Services. Servicers must submit a Mortgage for a Second Level Review in accordance with the requirements in that section.

Section C65.6 has been updated to reflect these changes and to provide instructions on accessing the Home Retention Services web portal.

ADDITIONAL GUIDANCE

Form 1128, *Loss Mitigation Transmittal Worksheet*

To provide additional guidance to Servicers on the proper completion of the LMTW for Mortgages modified under HAMP, we have:

- Updated Section C65.7(f) to reflect the following:
  - The "Current UPB (pre-modification)" entered on line 10 and the Due Date of the Last Paid Installment (DDLPI) entered in the LOAN DATA section of the LMTW must match the unpaid principal balance (UPB) and DDLPI reported to Freddie Mac as of the last accounting cycle cutoff in the month prior to the First Modified Payment due date
  - The "Interest-Bearing Modified UPB" entered on line 20 and the "Deferred Non-Interest-Bearing UPB," if applicable, entered on line 19 of the LMTW, when added together, must equal the principal balance due as of the Modification Effective Date and must match the "New Principal Balance" in Section 3.B. of the Modification Agreement
- Developed HAMP-specific instructions to accompany the form. As a result, we also updated the general instructions on the LMTW to remove instructions pertaining to HAMP. Servicers should review the new HAMP-specific instructions to ensure they are completing the LMTW accurately for HAMP modifications.

In addition, we revised our requirements for completing the "Interest Rate Adjustment Schedule" in the LOAN DATA section of the LMTW to require that Servicers complete the "Interest Rate Adjustment Schedule" for all HAMP modifications. Previously, Servicers were only required to complete this schedule for Mortgages with a step rate feature. Servicers are encouraged to begin completing this section of the LMTW in accordance with these revised instructions immediately; however, they must complete

this section in accordance with these instructions for all LMTWs submitted on or after **September 1, 2010**.

Servicers are reminded that the data entered on the LMTW must match the terms of the Modification Agreement as determined by Workout Prospector.

Freddie Mac will not accept for settlement any HAMP modifications undertaken by the Servicer where required settlement documentation is not provided by the fourth Business Day of the month in which the First Modified Payment is due. Servicers must ensure that the Borrower has sufficient time to return the executed Modification Agreement in order to meet this time frame.

Once the LMTW has been submitted to Freddie Mac, Servicers must monitor the status of the modification in Workout Manager®, which is accessible from our Servicing Technology Tools web page at **http://www.freddiemac.com/singlefamily/service/tools.html**. All Mortgages that are scheduled to be processed in our systems will appear on the Modifications Pending Update report in Workout Manager.

In addition, we will notify Servicers that the modification has been processed in our systems via the Loan Modifications Processed report. If a Servicer attempts to report a monthly loan-level transaction on a Mortgage based on the modified terms prior to the modification being processed in our systems, they will not be able to successfully complete the transaction.

Servicers are reminded that they also must submit the official/permanent loan modification setup data to the Program Administrator in accordance with the Program Administrator's time frames and other requirements.

Capitalization requirements

We are updating Chapter C65 to provide further guidance on our capitalization requirements with regard to the treatment of late fees, interest or penalties associated with late payment of real estate taxes on a Mortgage being modified under HAMP.

A Servicer may capitalize only the first incurred late fee, interest or penalty associated with the late payment of real estate taxes on a non-escrowed Mortgage. If there has been more than one delay in the payment of real estate taxes on a non-escrowed Mortgage, a Servicer must not capitalize the additional late fees, penalties or interest beyond the first incurred late fee or penalty, nor can it seek reimbursement of these additional amounts from Freddie Mac or the Borrower.

Section C65.6(b) has been updated to reflect this guidance.

Servicer and Borrower incentive payment process

We have updated Section C65.9, *HAMP incentives*, to provide additional guidance around the incentive payment process, including information on when and how Servicer and Borrower incentives are paid and the process for retrieving the Cash Payment Summary Report, the Program Administrator's monthly report that provides loan-level detail on incentives paid for the month.

In the event of a discrepancy between amounts paid for Servicer and/or Borrower incentives and Freddie Mac's records, Servicers must work with Freddie Mac and the Program Administrator, as necessary, to resolve such discrepancies and, if applicable, reimburse Freddie Mac for any overpayments in accordance with the Program Administrator's or Freddie Mac's instructions. (Refer to Sections C65.9 and C65.10, *Special investor reporting and remitting requirements*, for additional information.)

Investor reporting and remitting requirements

We have revised Section C65.10 to provide further guidance relating to reporting and remitting requirements for Mortgages being modified under HAMP, including:

- Additional detail for reporting the interest-bearing UPB and deferred UPB for monthly and interim reporting
- Specific requirements related to the calculation of payoff proceeds in connection with the payoff of a Mortgage with partial principal forbearance

- Guidance on reporting corrections, including a reduction or reversal of a previously applied Borrower incentive payment

CONCLUSION

Servicers should review updated Chapter C65 and take advantage of training available on **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?srsNum=HAMP_WN** to further familiarize themselves with the new requirements for HAMP implementation. Services should contact their Freddie Mac representative or call (800) FREDDIE if they have any questions about HAMP or Freddie Mac's role in the Program.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-18

TO: Freddie Mac Sellers and Servicers August 3, 2010

SUBJECT: SPECIAL CHARACTERISTICS CODES AND OTHER CODES MAPPED TO MISMO® DATA POINTS

As part of Freddie Mac's transition to the MISMO®-based loan delivery data requirements, we are reducing our dependence on Special Characteristics Codes (SCCs) and other delivery codes.

In Bulletin 2010-15, Freddie Mac announced the publication of the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD") detailing Freddie Mac specific requirements for implementation of the Uniform Loan Delivery Dataset ("ULDD") components applicable to loans delivered to Freddie Mac.

To assist Seller/Servicers with adoption of the ULDD and implementation of Freddie Mac's MISMO-based loan data delivery requirements, Freddie Mac is providing the following two new *Single-Family Seller/Servicer Guide* ("Guide") exhibits that represent how Mortgage characteristics currently captured by delivery of SCCs, Feature Codes, Offering Codes, and Reference Codes will now be captured using the MISMO data points and values:

- Exhibit 34A, *Special Characteristics Codes Mapped to MISMO Data Points*
- Exhibit 34B, *Other Delivery Codes Mapped to MISMO Data Points*

Exhibit 34A maps the SCCs currently shown in both numerical and topical order on Exhibit A to Guide Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*, to their respective MISMO data points and valid values. Exhibit 34B maps Feature Codes from Guide Exhibit 2, *Loan Feature Code Letters*, and Offering Codes and Reference Codes that are required on Form 11 and Form 13SF. These two exhibits are temporary tables designed to assist Sellers with implementation planning, **and they do not change any of the current Guide delivery requirements**.

Prior to **September 1, 2011**, the date that the MISMO-based delivery requirements are effective for all Mortgages we purchase, we will update the Guide to reflect complete requirements for delivering loan data in accordance with the Freddie Mac IG-LD. Additionally, changes to the delivery requirements included on Exhibits 34A and 34B will be announced in a future Guide Bulletin.

BACKGROUND - REDUCING THE USE OF CODES

While some of the data points in the ULDD are not currently required at loan delivery, most of these data points are already collected by Sellers and used to determine the SCCs, Feature Codes, Offering Codes, and Reference Codes that are delivered to Freddie Mac. As part of the transition to the MISMO-based loan delivery data requirements, Freddie Mac is replacing many codes with component level or root data points, which will improve data accuracy when delivering loan data to Freddie Mac.

Example of required MISMO data points

Some data points are required for all Mortgages regardless of product or feature. For example, for all Mortgages sold to Freddie Mac, Sellers today must always deliver SCC “170,” “175,” “180” or “185” to indicate compliance with flood insurance requirements.

For Mortgages delivered to Freddie Mac on or after September 1, 2011, Sellers will no longer deliver one of these SCCs, but will instead deliver the applicable valid value for the following data points to denote whether the property is located in a flood hazard area and has flood insurance, as follows:

- “Special Flood Hazard Area Indicator” – “True” or “False”
- “Property Flood Insurance Indicator” – “True” or “False”

Example of conditionally required MISMO data points

Some data points are conditionally required, which means they must be delivered for Mortgages when a defined business condition exists. For example, today Sellers must deliver SCC “003” when delivering a cash-out refinance Mortgage.

For cash-out refinance Mortgages delivered on or after September 1, 2011, Sellers will have to deliver the applicable valid values for the following data points instead of the SCC for this type of Mortgage:

- “Loan Purpose Type” – “Refinance”
- “Refinance Cash Out Determination Type” – “Cash Out”

INVESTOR FEATURE IDENTIFIER

An Investor Feature Identifier is defined by MISMO as “an investor-specified identifier used to identify a loan feature not defined by other attributes.” To the extent possible, codes were eliminated; however, for certain Mortgages with certain features, Freddie Mac will continue to require Sellers to deliver certain identifying codes that we will refer to as Investor Feature Identifiers.

For example, if a Seller delivers a special purpose cash-out refinance Mortgage (cash was used by an owner to buy out the equity of a co-owner), the Seller today must deliver SCCs “003” and “203.” For special purpose cash-out refinance Mortgages delivered on or after September 1, 2011, the Seller must deliver the conditional data points described above in lieu of SCC “003,” together with “Refinance Primary Purpose Type” – “Special Purpose,” and must also deliver “Investor Feature Identifier” “203.” Without the delivery of “203,” together with the other required data points, the loan will be assessed a cash-out refinance Mortgage postsettlement delivery fee.

There are a number of Investor Feature Identifiers included in the mappings on Exhibits 34A and 34B.

NEW TERMS

Terms adopted by MISMO for data points and values may be different from terms previously used by Freddie Mac for similar data attributes. For example, in the Guide we refer to “total loan-to-value (TLTV) ratio,” which we describe as obtained by dividing the sum of the First Lien Mortgage amount and the disbursed amount of the Home Equity Line of Credit (HELOC) and any other secondary financing by the value of the Mortgaged Premises. MISMO refers to this ratio as the “combined loan-to-value (CLTV) ratio.”

We will provide additional information regarding new terms in future Guide Bulletins.

ADDITIONAL INFORMATION REGARDING THE UNIFORM MORTGAGE DATA PROGRAM, UNIFORM DELIVERY LOAN SPECIFICATION AND FREDDIE MAC IG-LD

Additional information about the Uniform Mortgage Data Program announced by the Federal Housing Finance Agency (FHFA) in a news release dated May 24, 2010, the Uniform Loan Delivery Data Specification jointly developed by Freddie Mac and Fannie Mae at FHFA's direction and published on June 8, 2010, and the Freddie Mac IG-LD can be found in the Uniform Mortgage Data Program area on our web site at http://www.freddiemac.com/sell/secmktg/uniform_mortgage.html.

CONCLUSION

If you have any questions, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-19

TO: Freddie Mac Sellers August 16, 2010

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making the following changes to our **selling requirements**:

- Providing guidance regarding 2010 area median income changes
- Revising our underwriting requirements regarding inquiries on a Borrower's credit report
- Reminding Sellers that all Borrower debts must be included in the calculation of the debt payment-to-income ratio
- Updating our requirements for refinance Mortgages to permit Sellers to apply excess proceeds from a refinance transaction as a principal curtailment to the new Mortgage
- Increasing the time frame within which the first Interest Change Date must occur for adjustable-rate Mortgages (ARMs)
- Revising certain Condominium Project requirements
- Updating Guide Chapter 35, *Eligibility Requirements for Special Housing Initiatives*, and Guide Exhibit 19, *Postsettlement Delivery Fees*, to state that Sellers should refer to Exhibit 19 and their other Purchase Documents for information regarding whether delivery fees will be assessed on Mortgages sold with recourse
- Amending Guide Form 900, *Selling System Authorized User Identification and Certification Form*, and adding Form 901, *Document Custodian Selling System Authorized User Identification and Certification Form*, to the Guide for use by Document Custodians

Finally, in order to comply with recent state law changes, we have revised the Maine Mortgage (Form 3020 1/01), Section 22 titled "Lender's Rights If Borrower Fails to Keep Promises and Agreements" regarding default notices. The revised Mortgage has been posted on our Uniform Instruments web site at **www.freddiemac.com/uniform**.

If they have not already done so, loan originators must begin using the revised version of this form immediately.

Effective dates

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

AREA MEDIAN INCOME GUIDANCE

The Federal Housing and Finance Agency has issued the area median income estimates for 2010.

Sellers may use the 2010 estimates immediately, but must use them to originate Home Possible Mortgages delivered to Freddie Mac on or after **December 1, 2010**. Both Loan Prospector® and the Affordable Income & Property Eligibility tool – available on FreddieMac.com at **http://ww3.freddiemac.com/ds2/sell/affgold.nsf/frmHomePage?OpenForm** – will be updated by August 23, 2010 to reflect the 2010 area median incomes.

EVALUATING A BORROWER'S CREDIT REPUTATION

Borrower debts incurred through the Note Date

We are reminding Sellers that all Borrower debts incurred through the Note Date must be included in the calculation of the debt payment-to-income ratio. The Guide has been revised to update this existing requirement. In addition, Sellers are reminded that the final Form 65, *Uniform Residential Loan Application*, and Form 65A, *Statement of Assets and Liabilities*, must reflect accurate and complete information as of the Note Date of the subject Mortgage. Sellers must ensure their origination processes include the ability to identify all Borrower debts incurred through the Note Date.

Determining additional debt obtained from inquiries on a credit report

Effective for Mortgages with Settlement Dates on or after December 1, 2010

We are updating our requirements regarding inquiries on a Borrower's credit report to include all Mortgages, not only Manually Underwritten Mortgages. In addition, we are revising the Guide to require that when the Borrower's credit report indicates that a creditor has made an inquiry within the previous 120-day period, the Seller must determine whether additional credit was granted. If additional credit was granted, the Seller must obtain verification of the debt and must consider the debt when qualifying the Borrower. Prior to this change, for Manually Underwritten Mortgages, the Seller had to determine if additional credit was granted for inquiries within the previous 90-day period.

Chapter 37, *Underwriting the Borrower*, has been updated to reflect these changes

REFINANCE MORTGAGES

To provide greater flexibility to our Sellers, we have revised our requirements pertaining to the use of Mortgage proceeds for Freddie Mac Relief Refinance Mortgages℠ – Same Servicer, Freddie Mac Relief Refinance Mortgages℠ – Open Access, Freddie Mac-owned streamlined refinance Mortgages, and "no cash-out" refinance Mortgages. In the event there are remaining proceeds from the refinance Mortgage after the proceeds are applied as permitted by the Guide, the excess amount may be applied as a principal curtailment at closing.

Chapter 17, Mortgage Delivery and Settlement Processing, Chapter 23, Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios, Chapter 24, Refinance Mortgages, Chapter A24, Freddie Mac Relief Refinance Mortgages℠ – Same Servicer, Chapter B24, Freddie Mac Relief Refinance Mortgages℠ – Open Access, Form 11, Mortgage Submission Schedule, and Form 13SF, Mortgage Submission Voucher, have been updated to reflect these changes.

FIRST INTEREST CHANGE DATE FOR ADJUSTABLE RATE MORTGAGES

To increase flexibility in our ARM program, Freddie Mac has increased the time frame within which the first Interest Change Date must occur. Specifically, the period between the first payment Due Date and the first Interest Change Date has been expanded from six to 12 months for 3/6, 5/6, 7/6 and 10/6-month ARMs. The period will remain unchanged at 12 months for the 1-year, 3-year, 5-year, 3/1, 5/1, 7/1 and 10/1 ARMs.

Chapter 30, *Special Eligibility Requirements for Adjustable-Rate Mortgages (ARMs)*, has been updated to reflect these changes.

PROPERTY ELIGIBILITY

Condominium Projects

For Mortgages secured by Condominium Units in Established Condominium Projects and for streamlined reviews, Sellers will not be required to warrant that a right of first refusal in the Project Documents will not adversely impact certain rights of a mortgagee or assignee. Additionally, we are revising the requirement for streamlined reviews by allowing the review of alternative sources of project information in lieu of reviewing, in all cases, Project Documents. As a reminder, Sellers are responsible for accurate and complete information that may be relied upon to determine project eligibility.

We are also revising the Guide to remove projects with non-incidental commercial income from the ineligible list. A project in which more than 20% of income is from sources other than dues and assessments is no longer ineligible for sale to Freddie Mac.

Chapter 42, *Special Warranties for Condominiums,* has been updated to reflect these changes.

DELIVERY REQUIREMENTS

Delivery fees and Mortgages sold with recourse

In Bulletin 2009-15, we announced that we revised Section 11.10(a) to state that we will provide information regarding whether delivery fees will be assessed for Mortgages sold with recourse in the Guide or in a Seller's negotiated terms of business.

With this Bulletin, we are updating the relevant sections of Chapter 35 that require Mortgages to be sold with recourse (Section 35.2, *Rural Housing Service (RHS) Section 502 Guaranteed Rural Housing Mortgages*, Section 35.4, *HUD-Guaranteed Section 184 Native American Mortgages*, and Section 35.5, *FHA/VA Mortgages*) to reflect that, consistent with revised Section 11.10(a), a Seller should refer to Exhibit 19 and the Seller's negotiated terms of business for information regarding whether delivery fees will be assessed on these Mortgages.

At this time, the only delivery fee assessed for Mortgages sold with full recourse is the Market Condition delivery fee. We have revised Exhibit 19 to reflect that unless a Seller's negotiated terms provide otherwise, other delivery fees do not apply to Mortgages sold with recourse.

Chapter 35 and Exhibit 19 have been updated to reflect these changes.

FORM 900 AND FORM 901 - SELLING SYSTEM AUTHORIZED USER ROLES

We have amended Form 900 to distinguish the Selling System user roles required for cash executions from the Guarantor and MultiLender executions and to identify general roles required for all deliveries. We are also adding Form 901 for use by Document Custodians in obtaining Selling System roles. Previously, Document Custodians were required to complete a version of this form, but we have incorporated a revised form into the Guide. Further, we are providing additional guidance to Sellers and Document Custodians with respect to their responsibilities for Selling System security.

In addition to amending Form 900 and adding new Form 901, we have amended Chapter A1, *Special Requirements for Selling Mortgages Through the Selling System*, and Chapter 18, *Document Custody*, to reflect these changes.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters A1, 17, 18, 23, 24, A24, B24, 30, 35, 37 and 42
- Exhibits 4 and 19
- Forms 11, 13SF, 900 and 901

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-20

TO: Freddie Mac Sellers and Servicers August 31, 2010

SUBJECT: MORTGAGES SECURED BY PROPERTIES WITH AN OUTSTANDING PROPERTY ASSESSED CLEAN ENERGY (PACE) OBLIGATION

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin provides guidance to our Seller/Servicers regarding Freddie Mac's purchase of Mortgages secured by properties with a Property Assessed Clean Energy (PACE) or PACE-like obligation.

BACKGROUND

In our Industry Letter dated May 5, 2010, *First Lien Mortgages and Energy Efficient Loans*, Freddie Mac reminded Seller/Servicers that an energy-related lien may not be senior to any Mortgage delivered to Freddie Mac. We also indicated that we would provide additional guidance regarding our requirements on energy retrofit lending programs in the future, should they move beyond the experimental stage.

On July 6, 2010, the Federal Housing Finance Agency (FHFA) issued a Statement on Certain Energy Retrofit Loan programs, such as PACE programs ("the FHFA Statement"). The FHFA Statement advised that First Liens offered by most PACE programs "pose unusual and difficult risk management challenges for lenders, servicers and mortgage securities investors," and change customary lending priorities.

The FHFA Statement further provides that First Liens created by PACE programs raise safety and soundness concerns. Other regulators share these concerns. For example, a Bulletin issued July 6, 2010 by the Office of the Comptroller of the Currency (OCC 2010-25) states, "This lien infringement raises significant safety and soundness concerns that mortgage lenders and investors must consider."

Freddie Mac supports the goal of encouraging responsible financing of energy efficient and renewable energy home improvements, and we believe this goal may be achieved without altering the lien priority status of first Mortgages or other underwriting requirements. To the extent necessary to mitigate greater risks associated with PACE and PACE-like programs, Freddie Mac will take additional actions. These actions could include adjusting loan-to-value and debt-to-income ratios for Mortgages secured by properties located in jurisdictions that permit such programs.

REQUIREMENTS

The requirements of this Bulletin apply to PACE obligations that provide for First Lien priority.

Mortgages secured by properties subject to PACE obligations that provide for First Lien priority

Freddie Mac will not purchase Mortgages secured by properties subject to PACE obligations that provide for First Lien priority. Seller/Servicers are responsible for monitoring State and local laws to determine whether a jurisdiction has a PACE program that provides for First Lien priority.

Mortgages secured by properties subject to PACE obligations originated before July 6, 2010 that provide for First Lien priority

For Mortgages with Freddie Mac Settlement Dates before **July 6, 2010** that are secured by properties subject to PACE obligations originated before **July 6, 2010** that provide for First Lien priority, Freddie Mac will waive the Uniform Security Instrument requirement that these obligations be subordinate to the First Lien. Otherwise, our requirements regarding Mortgages secured by properties subject to PACE obligations that provide for First Lien priority remain unchanged.

Refinance of Mortgages secured by properties subject to PACE obligations originated before July 6, 2010 that provide for First Lien priority

To mitigate the risk posed by PACE obligations that provide for First Lien priority over the Mortgage, we are implementing additional requirements with respect to the refinance of Mortgages with Freddie Mac Settlement Dates before July 6, 2010 that are secured by properties subject to PACE obligations originated before July 6, 2010 that provide for First Lien priority.

For such Mortgages (except when refinanced under Freddie Mac's Relief Refinance Mortgages℠ offering as described below), Freddie Mac will require that Borrowers who have sufficient equity pay off the existing PACE obligation in full as a condition to obtaining a new Mortgage. In addition, Sellers must qualify the Borrower using the steps below that are designed to mitigate Freddie Mac's exposure and minimize Borrower hardship:

- Sellers must first attempt to refinance the Mortgage either as:
  - A cash-out refinance Mortgage under the requirements of Guide Section 24.6, *Requirements for Cash-Out Refinance Mortgages*, or
  - A "no cash-out" refinance Mortgage under the requirements of Guide Section 24.5, *Requirements for "no cash-out" refinance Mortgages*, except that pay-off of the PACE obligation will be permitted in the same manner that secondary financing that is used in its entirety to purchase the subject property may be paid off

  Proceeds from the cash-out refinance Mortgage or the "no cash-out" refinance Mortgage must be used to pay off the PACE obligation in full.

- If the Mortgage does not meet the requirements for a cash-out refinance Mortgage or a "no cash-out" refinance Mortgage, as described above, with sufficient proceeds to pay off the PACE obligation in full, the Seller may then underwrite the Mortgage under Freddie Mac's Relief Refinance Mortgage℠ – Open Access offering under the requirements of Guide Chapter B24, *Freddie Mac Relief Refinance Mortgages℠ – Open Access*, with the PACE obligation remaining in place. In underwriting under such offering, it will not be necessary to include the PACE obligation in the calculation of the total loan-to-value ratio; however, the PACE obligation must be included in the monthly debt payment-to-income ratio.

  Special delivery requirements

  For Relief Refinance Mortgages - Open Access when the PACE obligation remains in place, in addition to complying with the special delivery requirements provided in Chapter B24, the Seller must deliver special characteristics code "H28."

GUIDE REVISIONS

Applicable Guide sections will be updated in a future Bulletin to reflect these changes.

CONCLUSION

If you have any questions, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-21

TO: Freddie Mac Servicers September 13, 2010

SUBJECT: EXTENSION OF SETTLEMENT DEADLINE FOR FREDDIE MAC'S HAMP BACKUP MODIFICATION SOLUTION TO DECEMBER 1, 2010

In *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2010-11, we introduced the Freddie Mac HAMP Backup Modification ("HAMP Backup Modification"), an alternative solution to support Borrowers who were initially eligible for a Home Affordable Modification Program (HAMP) Trial Period Plan based on stated income but were subsequently determined to be ineligible for a HAMP modification. We also announced a Cap-to-Reinstate modification option for Borrowers ineligible for a HAMP Backup Modification.

In Bulletin 2010-14, we revised certain requirements for both modification options and extended the deadline by which HAMP Backup Modifications and Cap-to-Reinstate modifications must be settled. Under Bulletin 2010-14, HAMP Backup Modifications and Cap-to-Reinstate modifications must have had a first modified payment due date on or before **September 1, 2010.** As September 1 approached, we heard from many Servicers asking for more time to settle HAMP Backup Modifications, as they continue to be challenged with large pipelines. As a result, we have decided to further extend the deadline by which HAMP Backup Modifications must be settled.

Effective immediately, HAMP Backup Modifications must have a first modified payment due date on or before **December 1, 2010**. Similarly, Mortgages modified as a Cap-to-Reinstate modification pursuant to Bulletin 2010-11, because the Servicer determined that the Mortgage is not eligible for a HAMP Backup Modification, must also have a first modified payment due date on or before **December 1, 2010**.

If a Servicer has not yet solicited eligible Borrowers for a HAMP Backup Modification, they must do so as soon as possible in order to ensure they can comply with the deadline for completion set forth above.

Servicers must comply with all requirements of Bulletin 2010-11, as amended by Bulletin 2010-14 and this Bulletin.

REMINDERS

Submitting the modification to Freddie Mac

No later than the fourth Business Day of the month in which the first modified payment is due, Servicers must transmit the model in Workout Prospector® and submit to Freddie Mac a signed and dated copy of the completed Form 1128, *Loss Mitigation Transmittal Worksheet* ("LMTW"). When completing the LMTW:

- For HAMP Backup Modifications, Servicers must indicate in the Servicer Comments section of the LMTW that the modification is a HAMP Backup Modification and include the amount of the Borrower's verified income. (Refer to Bulletin 2010-11 for additional information on processing the HAMP Backup Modification in Workout Prospector.)
- For Cap-to-Reinstate modifications for Borrowers ineligible for a HAMP Backup Modification, Servicers must indicate in the Servicer Comments section of the LMTW that the modification is a

"HAMP Ineligible – Cap-to-Reinstate modification." (The Servicer must have previously saved the Workout Prospector HAMP model in the applicable "Borrower Declined Terms/Ineligible" status.)

Reporting requirements

Servicers must continue to provide to Freddie Mac a report containing all Mortgages that were in an active HAMP Trial Period Plan with a Trial Period Plan Effective Date on or before **May 1, 2010**, which the Servicer determined to be ineligible for a HAMP modification, and is now considering for or has processed as a HAMP Backup Modification. The template for the report is available on our web site at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html.

Servicers must submit this report to WKOUT_HAMP_RECON@freddiemac.com no later than the fourth Business Day of each month.

CONCLUSION

Freddie Mac remains focused on assisting troubled Borrowers with Freddie Mac-owned Mortgages to avoid preventable foreclosure. The changes announced in this Bulletin are part of our ongoing efforts to promote sustainable homeownership and stabilize communities and neighborhoods across the nation.

If you have any questions after reviewing this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing" from the menu.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-22

TO: Freddie Mac Sellers and Servicers September 15, 2010

SUBJECTS

Both selling and Servicing requirements are amended with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin.

Selling and Servicing requirements

We are making the following changes to our **selling and Servicing requirements**:

- Enhancing our fraud prevention, detection and reporting requirements and consolidating requirements into a new Guide chapter
- Consolidating and providing additional detail on our requirements relating to Freddie Mac's Exclusionary List ("Exclusionary List")
- Updating the Guide requirements pertaining to compliance with the regulations administered by the Office of Foreign Assets Control (OFAC) for Mortgages sold to or serviced for Freddie Mac

Servicing requirements

We are updating Guide Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*, to reflect current information.

Effective dates

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

SELLING AND SERVICING REQUIREMENTS

Fraud prevention, detection and reporting

Effective January 1, 2011

Freddie Mac is announcing enhanced requirements related to fraud prevention, detection and reporting, as well as the consolidation of such requirements into a new Guide Chapter 7, *Fraud Prevention, Detection and Reporting*. Strong fraud prevention and detection practices are an integral part of responsible lending standards that help to ensure the success of Seller/Servicers and Borrowers throughout the entire life of a Mortgage. Seller/Servicers' implementation of these practices is critical to ensuring the quality of Mortgage origination and Servicing processes and decisions.

Freddie Mac is committed to working with Seller/Servicers to prevent and detect fraud in the mortgage industry. Our Fraud Investigation Unit (FIU) has been working diligently on the prevention, detection, investigation and resolution of mortgage fraud since 1989. Many of our Seller/Servicers have already incorporated into their business operations the "best practices" found in the FIU publication "*Discover Gold Through Quality, Fraud Prevention*" ("DGTQ - Fraud Prevention Best Practices"). With this Bulletin, Freddie Mac is issuing an updated version of the publication, DGTQ - Fraud Prevention, Best Practices, available on **http://www.freddiemac.com/sell/dgtq/**.

Seller/Servicers should review new Chapter 7 in its entirety so that they have a clear understanding of Freddie Mac's requirements with respect to fraud prevention, detection and reporting.

Freddie Mac is also announcing the availability of webinar training for Seller/Servicers on the requirements of Chapter 7. Please refer to **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=Fraud** for specific details on this overview webinar training session. Also, periodically check the Freddie Mac Learning Center at **http://www.freddiemac.com/learn/** for more information on our upcoming webinar training specifically relating to Chapter 7 requirements for Servicers.

In addition to new Chapter 7, Chapter 2, *General Freddie Mac Policies*, Chapter 22, *General Mortgage Eligibility*, Chapter 48, *Seller's In-House Quality Control Program*, Chapter 51, *General Freddie Mac Policies*, Chapter B65, *Workout Options*, and Directory 1 have been updated to cross-reference the Chapter 7 requirements.

Exclusionary List

We have created a new Guide Section 2.24, *Freddie Mac Exclusionary List*, to consolidate and provide additional detail on our requirements relating to the Exclusionary List. This includes information about which parties the Seller/Servicer must screen against the Exclusionary List to ensure that they are not involved in the origination, sale or Servicing of a Freddie Mac Mortgage. New Section 2.24 also replaces the information provided in the definitions of "Principal" and "Freddie Mac Exclusionary List," which have been deleted from the Glossary.

In addition to the current locations where Seller/Servicers can access the Exclusionary List, Freddie Mac is announcing the availability of the Exclusionary List for Servicers on the Freddie Mac Learning Center at **https://www.freddiemac.com/slearnctr/npl_qr/exclusionarylist.xls**. A secure user ID and password are necessary to access the Exclusionary List. This is the same user ID and password Servicers use to access the secured Learning Center resources.

If you have questions on accessing the Exclusionary List, please contact your Freddie Mac representative or call (800) FREDDIE.

Chapter 2, Chapter 5, *Disqualification or Suspension of a Seller/Servicer*, Chapter 6, *General Warranties and Responsibilities of the Seller/Servicer*, Chapter 51, Chapter 72, *Repurchases*, Directory 1, and the Glossary have been updated to reflect these changes.

Office of Foreign Assets Control

Effective **January 1, 2011,** Servicers are required to notify Freddie Mac within 24 hours of filing a blocked property or rejected transaction report with OFAC. We have added a new sub-section to Section 53.8, *Compliance with applicable law*, which contains instructions for notifying Freddie Mac within 24 hours of filing a blocked property or rejected transaction report with OFAC for Mortgages serviced for Freddie Mac.

All Seller/Servicers are currently required to comply with OFAC requirements and should already have OFAC compliance controls in place. The Guide revisions specify that Freddie Mac expects Seller/Servicers to establish and maintain an effective OFAC compliance program that ensures compliance with OFAC regulations.

In addition, the following revisions are **effective immediately:**

- Sellers are required to screen each Borrower against OFAC's most recent Specially Designated Nationals and Blocked Persons List ("SDN List") prior to delivering a Mortgage to Freddie Mac
- We are explicitly stating that a Mortgage is ineligible for sale to Freddie Mac if a Borrower is on OFAC's SDN List

The new sub-section to Section 53.8 also requires Servicers to periodically screen the Mortgages that they service for Freddie Mac against OFAC's SDN List.

To help ensure compliance with these Guide requirements, Seller/Servicers should inform their relevant compliance personnel of Freddie Mac's OFAC screening and notification requirements.

Chapter 6, Chapter 53, *Servicer Agreements*, and Directory 1 have been updated to reflect these changes.

SERVICING REQUIREMENTS

Revised Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*

We have updated Form 981 to remove an outdated reference to Freddie Mac as an option for the Document Custodian before requested transfer. This selection is no longer valid since Notes previously held by Freddie Mac's Document Custodial Operations are now held in custody by either The Bank of New York Mellon Trust Company, N.A., as Freddie Mac's Designated Custodian, or by another approved Document Custodian.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 5, 6, 7, 22, 48, 51, 53, B65, 72, 76, 77 and 78
- Form 981
- Directory 1
- Glossary

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Industry Letter

To: Freddie Mac Servicers October 1, 2010

SUBJECT: FORECLOSURE PROCEEDINGS

Freddie Mac is deeply concerned by recent news articles which report that affidavits used in foreclosure proceedings may have been executed inappropriately and without proper notarization. The practices described in these reports violate both applicable law and Freddie Mac's contractual Servicing requirements as set forth in the Freddie Mac *Single-Family Seller/Servicer Guide* ("Guide").

Through this Industry Letter, Freddie Mac seeks to reinforce our commitment to safeguarding the legal rights of Borrowers. We are also reaffirming our focus on protecting the integrity of the foreclosure process. Accordingly, Freddie Mac is requiring Servicers to review their Servicing operations to verify the adequacy of their processes regarding the execution of affidavits and to notify Freddie Mac of any identified deficiencies.

Process review

Each Servicer must conduct a review of its Servicing operations with respect to Freddie Mac foreclosures which are either: a) currently pending or b) within the applicable judgment review period in each State.

Specifically, the Servicer must determine whether:

- The Servicer's policies, procedures and processes were and continue to be adequate to ensure that the affidavits executed in connection with these proceedings are in compliance with applicable law, including that the individuals signing the affidavits ("Affiant") had personal knowledge of the facts and that signatures were properly notarized; and
- The Servicer's employees and/or third parties responsible for executing affidavits supplied by the Servicer in these proceedings followed the above-described policies, procedures and processes, including those which required the Affiant to have personal knowledge of the facts and those which required proper notarization. If the Servicer cannot reasonably communicate with any such employee or third party directly, the Servicer should verify this information with the employee's or third party's former supervisor, to the extent possible.

Notification

The Servicer must complete its review by **October 18, 2010**.

In the event that the Servicer's review creates any question as to whether: 1) its policies, procedures or processes regarding the execution of affidavits were adequate to ensure compliance with both applicable law and Freddie Mac's Servicing requirements, or 2) its employees and/or third parties followed the proper policies, procedures and processes, the Servicer must immediately notify Freddie Mac at **SRPMconfirmations@FreddieMac.com** or (800) FREDDIE (and select "Servicing").

The Servicer must also remedy any deficiencies identified in order to ensure compliance with applicable law and Freddie Mac's Servicing requirements.

Freddie Mac reserves all rights and remedies available to it under the Guide and other Purchase Documents.

Sincerely,

Tracy Hagen Mooney

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2010-23

TO: Freddie Mac Sellers and Servicers — October 15, 2010

INTRODUCTION

Both selling and Servicing requirements are amended with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin.

We are making the following changes to our requirements:

Property eligibility

- Announcing new Appraiser Independence Requirements that replace the Home Valuation Code of Conduct (HVCC) (Effective October 15, 2010)
- Requiring interior photographs for all appraisals that require interior and exterior inspections (Effective for Mortgages with applications dated on or after February 1, 2011)

Credit - Effective for Mortgages with Settlement Dates on or after February 1, 2011

- Updating our requirements for using FICO scores (Credit Scores developed by Fair Isaac Corporation (FICO™)) for Manually Underwritten Mortgages
- Revising our underwriting requirements for managing significant adverse or derogatory credit information caused by extenuating circumstances or financial mismanagement
- Revising our minimum reserves requirements for certain Mortgages
- Revising our requirements for the maximum number of financed properties when the subject property is a second home or Investment Property

Eligibility requirements for Freddie Mac counterparties – Effective dates vary

- Announcing new eligibility requirements for approved counterparties and new applicants for Seller/Servicers, Document Custodians and Eligible Depositories

Operational – Effective November 1, 2010

- Providing additional instructions for obtaining cash adjustor values from (800) FREDDIE for Freddie Mac Relief Refinance Mortgages℠ with loan-to-value (LTV) ratios greater than 105% that are sold under fixed-rate Cash

Mortgage insurance – Effective October 15, 2010

- Announcing the suspension of California Housing Loan Insurance Fund as an approved Freddie Mac mortgage insurer

In addition, in our Single-Family Advisory e-mail on **September 17, 2010**, we informed Sellers we were extending from December 1, 2010 to **February 1, 2011**, the effective date for the requirement announced in Bulletin 2010-19 that the Seller must determine whether additional debt was granted when the Borrower's credit report indicates that a creditor has made an inquiry within the previous 120-day period. With this Bulletin, we are updating Guide Chapter 37, *Underwriting the Borrower*, to reflect this extension.

PROPERTY ELIGIBILITY

Appraiser Independence Requirements

Effective October 15, 2010

Freddie Mac has worked with the Federal Housing Finance Agency (FHFA) and Fannie Mae to develop appraiser independence requirements to replace the HVCC. The HVCC is expected to sunset on the earlier of the release of the Interim Final Rules by the Federal Reserve as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") or November 1, 2010.

Freddie Mac is committed to supporting strong appraiser independence requirements and continuing to provide important protections for homebuyers, mortgage investors and the housing market. We will continue to review our appraisal independence requirements to address market developments and regulatory actions taken pursuant to the Dodd-Frank Act, which may include rules relating to conflicts of interests and fee disclosure by appraisal management companies.

Though not included in the appraiser independence requirements, all new provisions replacing HVCC will be subject to our current quality control processes and requirements for appraisals as stated in the Guide.

New Guide Exhibit 35, *Appraiser Independence Requirements*, replaces Exhibit 31, *Home Valuation Code of Conduct*, which is being deleted from the Guide. Sellers must review Exhibit 35, as well as Chapter 6, *General Warranties and Responsibilities of the Seller/Servicer*, and Chapter 44, *Appraisals, Inspections and the Property Inspection Alternative (PIA)*, which have been revised to reflect these changes.

Requiring interior photographs for all appraisals with interior and exterior inspections

Effective for Mortgages with applications dated on or after February 1, 2011

To strengthen appraisal quality and reduce collateral risk, we are requiring that specific interior photographs be provided with all appraisals with interior and exterior inspections. We are also requiring additional photographs showing any physical deterioration that materially impacts market value or marketability of the Mortgaged Premises.

Chapter 44 has been revised to reflect these changes.

Reminders

Sellers are reminded of the following:

- Real Estate Owned (REO) and short sales as comparable sales for appraisals

  As indicated in Bulletin 2009-18, Freddie Mac does not require an appraiser to use REO or short sales as comparable sales. However, if the appraiser determines that these properties are representative of the properties available to typical purchasers for the market in which the property is located, the appraiser must consider their use. When using an REO sale or short sale as a comparable sale, the appraiser must make appropriate adjustments to account for any market reaction to differences between the REO or short sale property and the subject property, including, but not limited to, differences in property condition. Additionally, the appraiser must consider whether there is any significant difference in the market's reaction between REO or short sales and typical arms-length market sales.

- Personal property

  The appraiser's opinion of market value of the subject property must not include any value assigned to personal property, including, for example, boat docks and boat slips that are not part of the real property that is securing the Mortgage.

- Seller changes to appraised value

  It is not acceptable for a Seller to change the appraiser's opinion of market value; any changes to the opinion of market value may only be made by the appraiser. If the Seller has any concerns about the appraisal, the Seller must resolve these concerns with the appraiser. If the Seller is unable to resolve

any concerns regarding the appraisal, a new property valuation must be obtained. The basis of the concern cannot be that the value does not support the proposed loan amount. Any new value determination must be made by an appraiser who, at a minimum, is licensed or certified in the State in which the property is located, and the Seller must use that new value to underwrite the Mortgage and determine the value of the Mortgaged Premises pursuant to Section 23.1, *Value*.

CREDIT

All of these changes effective for Mortgages with Settlement Dates on or after February 1, 2011

Requirements for using FICO scores for Manually Underwritten Mortgages

We are updating our requirements for Manually Underwritten Mortgages regarding the use of FICO scores with accompanying reason codes in underwriting the Borrower's credit reputation. Our new requirements provide for one detailed review of all aspects of the Borrower's credit history. Prior to this change, the Seller had to establish a Borrower's credit reputation using one of the three levels of review (basic, comprehensive or cautious) depending on the risk indicated by the Borrower's FICO score.

Chapter A34, *Home Possible® Mortgages*, and Chapter 37 have been revised to reflect these changes.

Managing significant adverse or derogatory credit information

We are revising our requirements for certain recovery periods that must elapse before a Borrower is eligible for a new Mortgage after a significant derogatory credit event.

Short sales

Any short sale must be classified as a significant derogatory event. Prior to this change, only a short sale related to a delinquent Mortgage obligation was considered a significant derogatory credit event. Additionally, we are establishing acceptable time frames for reestablishment of credit for all short sales. If the short sale was due to extenuating circumstances, the recovery time period for reestablishment of credit is 24 months from the completion date; if the short sale was due to financial mismanagement, the recovery period for reestablishment of credit is 48 months from the completion date.

Loan Prospector® may not, in all instances, be able to identify a short sale in the credit report data. Therefore, we are adding a requirement that regardless of the Loan Prospector Risk Classification, a Seller must manually apply to Loan Prospector Mortgages the requirements for handling significant adverse or derogatory information caused by extenuating circumstances or financial mismanagement for Manually Underwritten Mortgages related to short sales if evidence of a short sale is disclosed on a credit report or contained elsewhere in the Mortgage file.

Bankruptcy and foreclosure

We are adding a recovery time period requirement for reestablishment of credit after a Chapter 13 bankruptcy caused by financial mismanagement. This new recovery time period for reestablishment of credit is 48 months from the dismissal date. The existing requirement of 24 months from the discharge date remains in effect.

We are increasing the recovery time period for reestablishment of credit after a foreclosure due to financial mismanagement from 60 months to 84 months.

Chapter 22, *General Mortgage Eligibility*, Chapter 23, *Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios*, and Chapter 37 have been updated to reflect these changes.

Maximum number of financed properties

We are revising the requirement for the maximum number of financed properties when the subject property is a second home or Investment Property to address instances when a Borrower is obligated on a Note secured by a Mortgage on a financed property without being an owner of record. The Borrower's obligation on other Mortgages is important in evaluating the Borrower's capacity regardless of whether the Borrower is on the title to the property.

Chapter 22 has been updated to reflect these changes.

Reserves requirements

We are revising the minimum reserves requirements as follows:

Subject property occupancy	**New reserves requirements**
2- to 4-unit Primary Residence	6 months principal, interest, taxes and insurance (PITI) for subject property
Second home	2 months PITI for subject property and 2 months PITI for each other financed second home and/or 1- to 4-unit Investment Property that the Borrower owns and/or is obligated on
1- to 4-unit Investment Property	6 months PITI for subject property and 2 months PITI for each other financed second home and/or 1- to 4-unit Investment Property that the Borrower owns and/or is obligated on
New Primary Residence and current Primary Residence is: ▪ Pending sale ▪ Being converted to a second home or Investment Property	If the LTV ratio for the property that is pending sale or being converted is > 70%: ▪ 6 months PITI for the property pending sale or being converted and 6 months PITI for the new Primary Residence If the LTV ratio for the property that is pending sale or being converted is ≤ 70%: ▪ 2 months PITI for the property pending sale or being converted and 2 months PITI for the new Primary Residence

Chapters 22 and 37 have been updated to reflect these changes.

Loan Prospector

Loan Prospector feedback messages will be updated at a later date to support these reserves requirement changes. Sellers will be notified when the changes are implemented.

Training

Webinar training is available on the credit requirements announced in this Bulletin. Please refer to http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=MP_Overview for specific details on this overview webinar training session.

Rental income reminder

Sellers are reminded that a signed lease may be used to determine the net rental income from a 1-unit Primary Residence being converted to an Investment Property, provided that all requirements of Sections 37.16.2(c) and 37.14(d) are met, including the requirement that the Borrower's tax returns reflect a two-year history of managing Investment Properties. If any of these requirements are not met, the Borrower's housing payment on the residence being converted to an Investment Property must be included in the monthly debt payment-to-income ratio.

See Sections 37.14(d) and 37.16.2(c) for more detail.

ELIGIBILITY REQUIREMENTS FOR FREDDIE MAC COUNTERPARTIES

Background

Freddie Mac is announcing new eligibility requirements for approved counterparties, as well as new applicant requests. We are making these changes to help ensure the stability of the mortgage market by working with counterparties that have the financial strength and operational capacity to handle the risks and contractual obligations associated with market variations.

The new requirements announced in this Bulletin change the Acceptable Net Worth required for Seller/Servicers, the Acceptable Net Worth required for Document Custodians and the acceptable ratings for Eligible Depositories.

Acceptable Net Worth requirement for Seller/Servicers

Currently, the Guide requires that all Seller/Servicers maintain an Acceptable Net Worth of $250,000. We are revising this requirement as follows:

- **Seller/Servicers approved on or after October 15, 2010**

  These Seller/Servicers must have and maintain Acceptable Net Worth of $2.5 million. Beginning **June 30, 2012**, they must maintain an Acceptable Net Worth of $2.5 million, plus a dollar amount equal to .25% of their Representation and Warranty Unpaid Principal Balance (that is, the aggregate unpaid principal balance as of the last day of each calendar month of all Mortgages and REO for which a Seller/Servicer is currently liable to Freddie Mac for the sale and/or Servicing representations, covenants and warranties in the Purchase Documents with respect to such Mortgages and REO).

- **Seller/Servicers approved prior to October 15, 2010**

  These Seller/Servicers must maintain an Acceptable Net Worth of $2 million by **September 30, 2011**, and beginning **June 30, 2012,** they must maintain an Acceptable Net Worth of $2.5 million, plus a dollar amount equal to .25% of their Representation and Warranty Unpaid Principal Balance.

See revised Section 4.3, *Acceptable Net Worth Requirement*, for additional information.

Acceptable Net Worth/ratings requirement for Document Custodians

Currently, Freddie Mac requires that financial institutions wishing to become Document Custodians for Freddie Mac Seller/Servicers maintain an Acceptable Net Worth of $1 million or greater.

We are updating the Guide to require that entities applying to be Document Custodians, and Document Custodians entering into new custodial relationships with Freddie Mac Seller/Servicers, on or after **October 15, 2010,** have an investment-grade rating by a nationally recognized statistical rating organization, such as Standard & Poor's (S&P) or Moody's Investors Service (Moody's) (S&P equivalent of 'BBB-' or better) or have an Acceptable Net Worth of $500 million. Document Custodians approved prior to October 15, 2010 and in existing relationships with Seller/Servicers must have an Acceptable Net Worth of $1 million or greater and **must** comply with the new investment-grade rating/Acceptable Net Worth requirement by **June 30, 2011**.

See revised Section 18.2, *Document Custodian Eligibility*, for additional details.

Acceptable ratings for Eligible Depositories

Currently, Freddie Mac requires financial institutions holding a Principal and Interest Custodial Account to meet certain minimum ratings requirements, as outlined in Section 77.10, *Insured Depository Tier Ratings*. Agencies that rate depositories are grouped into two categories: Tier 1 (S&P, Moody's, and Fitch) and Tier 2 (LACE Financial Corporation (LACE), IDC Financial Publishing (IDC), and Fitch (formerly known as Bank Watch®)).

We are not revising the current Tier 1 minimum ratings requirements, but we are revising the Tier 2 minimum rating requirements for LACE (currently C or better**)** and IDC (currently 75 or better)**.** For relationships established on or after October 15, 2010, the insured depository rating must be C+ or better if rated by LACE and 125 or better if rated by IDC. For relationships established before October 15, 2010 (that is, when accounts were already opened)**,** the insured depository rating must be C or better (LACE) and 75 or better (IDC), and the depository must comply with the applicable higher minimum rating **by March 31, 2011.** The Tier 2 minimum rating requirement of 3.5 or better for Fitch remains the same.

These changes increase minimum ratings to investment grade. See revised Section 77.10 for additional details.

Chapter 4, *Seller/Servicer Institutional Eligibility*, Chapter 18, *Document Custody*, Chapter 77, *Establishing Investor Accounting Functions*, and the Glossary have been revised to reflect these changes.

OPERATIONAL

Revised instructions to obtain fixed-rate Relief Refinance Mortgage Cash Adjustor

Effective November 1, 2010

In Bulletin 2009-20, dated July 24, 2009, we announced that we would apply a cash adjustor for all fixed-rate Relief Refinance Mortgages with LTV ratios greater than 105% sold under fixed-rate Cash. Effective August 1, 2009, the cash adjustor values were made available through a recorded message on (800) FREDDIE.

We are revising our instructions for obtaining the cash adjustor applicable to a particular Mortgage. Effective **November 1, 2010**, to obtain the current value, prior to taking out a commitment in the Freddie Mac Selling System, Sellers should call (800) FREDDIE, enter their customer number and select delivery. The delivery agent will provide that day's cash adjustor value.

MIDANET® for delivery

Effective for Mortgages delivered on or after November 1, 2010

We are announcing a new process for the delivery of Mortgages currently delivered through MIDANET. Effective **November 1, 2010**, Mortgages currently delivered through MIDANET will be delivered through a new web-based portal. For specific step-by-step instructions on the new delivery process, Sellers must contact our Delivery Assistance Team at (571) 382-3636.

MORTGAGE INSURANCE

California Housing Loan Insurance Fund suspension

Guide Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, has been updated to reflect that the approved mortgage insurer status of California Housing Loan Insurance Fund (formerly CalHFA Mortgage Insurance Services) and its Freddie Mac-approved affiliates (collectively or individually, "CaHLIF") is suspended. Mortgages with CaHLIF insurance are not eligible for sale to Freddie Mac on or after October 15, 2010.

As a reminder, except in limited circumstances, Section 61.7, *Transfers of Mortgage Insurance Coverage*, prohibits transfers of the mortgage insurance coverage that is in effect at the time a Mortgage is sold to Freddie Mac. Because none of those limited circumstances apply in this instance, Freddie Mac Servicers do not need to take any action in connection with Mortgages that have already been sold to us, whether at renewal of the insurance or otherwise.

Exhibit 10 can be accessed on FreddieMac.com at
http://www.freddiemac.com/sell/guide/mortgage_insurers.html

We will continue to notify you of changes to Exhibit 10 in future Bulletins.

REVISIONS TO THE GUIDE

- The revisions included in this Bulletin impact the following:
- Chapters 4, 6, 18, 22, 23, A34, 37, 44, and 77
- Directory and Directory 1
- Glossary
- Exhibits 5, 31 (deleted), and 35

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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Bulletin

NUMBER: 2010-24

TO: Freddie Mac Sellers and Servicers — October 19, 2010

SUBJECT: STATE FARM FLORIDA INSURANCE COMPANY

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are notifying Freddie Mac Seller/Servicers that until further notice, Freddie Mac will accept insurance from State Farm Florida Insurance Company on properties securing Mortgages originated for sale to Freddie Mac and serviced for Freddie Mac.

Background

Guide Section 22.19, *General Property Insurance Requirements*, provides that at the time a Mortgage is sold to Freddie Mac and continually thereafter for as long as Freddie Mac owns an interest in the Mortgage, the Mortgaged Premises must be covered by insurance that meets the requirements of Guide Chapter 58, *Property Insurance*. Guide subsection 58.1 (c), *Rating of Insurer*, states that for an insurer rated by A. M. Best Company ("A.M. Best"), a minimum Financial Strength Rating of B/III is required, or for a non-U.S. insurer, A/VIII, as reported online at **http://www.ambest.com**. On August 3, 2010, A.M. Best downgraded State Farm Florida Insurance Company's financial strength rating to "B-" from "B."

Freddie Mac has reviewed the circumstances surrounding this change in State Farm Florida Insurance Company's A.M. Best rating. Discussions with State Farm Florida Insurance Company's parent, State Farm Mutual Automobile Insurance Company, as well as A.M. Best Company, and the Florida Office of Insurance Regulation, led to our decision, retroactive to **August 3, 2010**, to continue to accept insurance from State Farm Florida Insurance Company on properties securing Mortgages we purchase and Mortgages that are serviced for us.

Freddie Mac reserves the right to withdraw this exception at our sole discretion at any time. We will continue to monitor the situation and will provide additional instructions to Sellers and Servicers as circumstances warrant.

CONCLUSION

If you have any questions about the information announced in this Bulletin, please contact Al LeQuang at (571) 382-3460.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Freddie Mac
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Bulletin

NUMBER: 2010-25

TO: Freddie Mac Servicers October 29, 2010

SUBJECT: SERVICER REQUIREMENTS RELATED TO STATE HOUSING FINANCE AGENCIES' MORTGAGE ASSISTANCE PROGRAMS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are providing guidance and requirements for Servicer interaction with state Housing Finance Agencies ("HFAs") that provide mortgage assistance to unemployed and/or underemployed Borrowers through their **unemployment mortgage assistance or subsidy programs** and/or **mortgage reinstatement programs**.

Background

Earlier this year, the federal government created the Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund ("HHF"), which provides funding for innovative measures to help homeowners in States that have been hit the hardest by the housing crisis and economic downturn. The HHF was created specifically for participating HFAs, which will use the funding to develop programs that provide temporary Mortgage payment relief to eligible unemployed or underemployed Borrowers so that they may seek employment or obtain job training without fear of losing their homes.

The Treasury's Making Home Affordable (MHA) Supplemental Directive 10-07 (Interactions with HFA Hardest Hit Fund Programs), gives general guidance to servicers of non-Government Sponsored Enterprise (GSE) mortgages on interacting with HFAs in connection with HHF programs. In this Bulletin, we are providing Servicers with guidance and requirements for interacting with and accepting funds from the HFAs under their respective unemployment mortgage assistance programs or mortgage reinstatement programs in connection with Freddie Mac-owned or guaranteed Mortgages.

Both programs are intended to provide temporary financial assistance to eligible Borrowers so that they can resume making scheduled Mortgage payments. The unemployment mortgage assistance program provides Mortgage payment relief by providing funds to pay a portion of or the full monthly Mortgage payment amount. The mortgage reinstatement program provides a one-time lump sum payment to assist in restoring a delinquent Mortgage to current status.

Program eligibility criteria and other program terms vary by participating HFAs.

EFFECTIVE DATE

Effective immediately, for Freddie Mac-owned or guaranteed Mortgages, Servicers must respond to HFA requests and accept funds provided on behalf of the Borrower under the HFAs' mortgage assistance programs.

To the extent that a Servicer's process and procedures must be updated to comply with the requirements for reporting the "Spreadsheet for Hardest Hit Fund Mortgages" to Freddie Mac specified in this Bulletin, the Servicer must take appropriate action as soon as possible, but no later than **February 1, 2011**, to provide the spreadsheet to Freddie Mac.

GENERAL REQUIREMENTS

The following are general Servicing requirements for HFA unemployment mortgage assistance and reinstatement mortgage assistance programs. In addition to these general requirements, Servicers must also comply with the additional Servicing requirements unique to each HHF program outlined in this Bulletin.

Servicers must have procedures and specific points of contact in place to be able to respond to the HFA (or its designated third-party provider) requests and notifications with respect to Borrowers receiving assistance under the HHF. Subsequent references to the HFA include its designated third-party provider.

The HFA will determine Borrower eligibility criteria for financial assistance and perform the underwriting of the Borrower for all mortgage assistance programs. Servicers **may not** determine Borrower eligibility or communicate a determination of eligibility or qualification for an HFA program to a Borrower, although Servicers may refer potentially eligible Borrowers to the HFA in accordance with the relevant state HFA's requirements.

Upon notification from an HFA that a Borrower has been approved for mortgage assistance, the Servicer must obtain from the HFA a copy of any approval letter, or note and mortgage or other agreement describing the terms of financial assistance entered into with the Borrower, and retain the agreement or approval letter in the Mortgage file. The Servicer must review each agreement to confirm whether the funds provided by the HFA on behalf of the Borrower are in the form of a loan or restricted grant. If the HFA provides funds in the form of a loan or restricted grant, the Servicer must confirm that the agreement does not require the Borrower to make monthly or periodic payments on the loan or grant prior to a refinance of the Mortgage or sale of the property. If the agreement includes a monthly or periodic payment requirement prior to a refinance of the Mortgage or sale of the property, the Servicer must inform the HFA that the terms of such agreement are not acceptable. However, if State or federal law or the terms of the Mortgage require acceptance of the funds (e.g., the assistance is in the form of full reinstatement or full monthly Mortgage payment in accordance with the Note and Mortgage), then the Servicer must accept such funds.

Borrower referral and authorization

Servicers may refer potentially eligible Borrowers to the HFA in accordance with the relevant HFA's requirements; however, Servicers must not solicit Borrowers for participation in any HFA mortgage assistance program.

In connection with a Borrower's request for mortgage assistance under an HFA program, Servicers must receive written authorization signed by each Borrower to release his or her nonpublic personal financial information to the HFA and must provide the HFA with any relevant Borrower and Mortgage-specific information so that the HFA may complete its evaluation of the Borrower for assistance. The Borrower's written authorization to release his or her nonpublic personal financial information to the HFA and all communications with an HFA that includes a Borrower's nonpublic personal information must comply with Guide Section 53.8, *Compliance with Applicable Law*, and all applicable federal, State and local laws relating to data security, privacy and the safeguarding of Borrower personal information.

Mortgages with credit enhancements

Servicers must comply with the requirements of the FHA, VA, RHS or mortgage insurer (MI) and obtain approval from the FHA, VA, RHS or MI, if applicable.

Any credit enhancement on a Mortgage will stay in place regardless of the Borrower's participation in an HFA's mortgage assistance programs.

Another relief or workout arrangement

Servicers must not deny or delay consideration of a Borrower for a relief or workout option pending approval for HFA mortgage assistance and must not require a Borrower to first request financial assistance from an HFA as a condition of consideration for a relief or workout option.

If a Borrower is currently performing under another relief or workout arrangement that has not been completed and requests financial assistance from an HFA, the Servicer must permit the Borrower to continue with the relief or workout arrangement until he or she enters into either an unemployment mortgage assistance agreement with the HFA or a mortgage reinstatement agreement with the HFA that renders the existing relief or workout arrangement no longer appropriate as provided in this Bulletin.

Reporting to Freddie Mac

Servicers must provide Freddie Mac with a list of all Mortgages for which assistance was provided for the prior month using the Spreadsheet for Hardest Hit Fund Mortgages located on **www.FreddieMac.com/singlefamily/service/hfa_relief.html**. This spreadsheet must include the Servicer's loan number, Servicer name and current date in the filename, and must be submitted to **Hardest_Hit@freddiemac.com** by the **fifth Business Day** of every month for all Mortgages that received assistance in the prior month.

Credit reporting

Servicers must continue to report a "full-file" status report to the four major credit repositories in accordance with the Fair Credit Reporting Act (FCRA) and credit bureau standards as provided by the Consumer Data Industry Association (CDIA).

Acceptance and application of funds

Funds from the HFA may be used to assist with payments a Borrower is required to make under a Home Affordable Foreclosure Alternatives (HAFA) Short Sale Agreement or short payoff under Guide Chapter B65, *Workout Options*.

Servicers must accept and treat funds submitted by the HFA in the same manner as if the Borrower submitted a payment to be applied towards the Mortgage. Such funds, including partial payments, received from the HFA must be processed in accordance with the requirements of the Guide.

For non-Escrowed Mortgages, the Borrower will continue to be responsible for payment of all Escrow-related expenses. The Servicer must process the Mortgage in accordance with the requirements of the Guide if it discovers non-payment of any charge otherwise payable by Escrow such as real estate taxes and property insurance.

Servicer notifications to HFA

For Borrowers evaluated for or receiving assistance, the Servicer must notify the HFA of any:

- Changes or adjustments to the Borrower's monthly payment amount at least 45 calendar days prior to the change, as applicable, if the Borrower is receiving assistance under an unemployment mortgage assistance program
- Scheduled foreclosure sale that cannot be halted

Document retention

Servicers must retain all documents, communications and information pertaining to the Borrower's mortgage assistance under an HFA program in the Mortgage file. In addition, Servicers must comply with the documentation retention requirements set forth in Chapter 52, *Mortgage File Retention*.

UNEMPLOYMENT MORTGAGE ASSISTANCE PROGRAM

Overview

HFA unemployment mortgage assistance programs extend Mortgage payment relief to eligible Borrowers by funding all or part of a Borrower's Mortgage payment. The HFA will determine Borrower eligibility criteria for financial assistance, monitor the Borrower for continued eligibility during the period of mortgage assistance, and will:

- Establish the amount of Borrower contribution to the Mortgage payment (if any) and the period of assistance
- Document the terms of the agreement for mortgage assistance

- Collect Borrower payments, if required, for subsequent submission to the Servicer
- Remit a full contractual payment to the Servicer on behalf of the Borrower each month during the period of assistance

Foreclosure actions

Upon notification that a Borrower is conditionally approved for mortgage assistance under an unemployment mortgage assistance program, a Servicer must not refer the Borrower's Mortgage to foreclosure or conduct a scheduled foreclosure sale for 45 days unless the HFA notifies the Servicer that the Borrower has been determined to be ineligible for mortgage assistance. In addition, a Servicer must not refer the Mortgage to foreclosure or conduct a scheduled foreclosure sale during the period of mortgage assistance unless the full Mortgage payment is not received from the HFA in a timely manner.

Servicers are reminded that to the extent that they suspend foreclosure proceedings, they must ensure that they take all appropriate action necessary to preserve the right to re-commence foreclosure proceedings from the point of suspension should the Borrower fail to qualify for HFA mortgage assistance or should the payment not be received from an HFA in the month in which it is due during the term of HFA mortgage assistance.

Servicers are not required to accept mortgage assistance payments if a notice of trustee/sheriff sale has been recorded, and the trustee/sheriff sale is scheduled less than seven days from the date the Servicer is notified of Borrower approval by the HFA.

Servicers must notify the HFA if a scheduled foreclosure sale cannot be halted because a court with jurisdiction over the foreclosure proceeding (if any) or public official fails or refuses to halt the sale.

Borrowers receiving HFA assistance

With the exception of a short sale or deed-in-lieu of foreclosure (DIL) under Chapter B65 or Chapter D65, *Home Affordable Foreclosure Alternatives*, a Borrower receiving **unemployment mortgage assistance** from the HFA may not simultaneously receive a relief or workout option. If the Borrower is in a Trial Period under the Home Affordable Modification Program (HAMP) when approved for unemployment mortgage assistance, the Servicer must notify the Borrower in writing that participation in the HFA's unemployment mortgage assistance program will cancel participation in his or her existing HAMP Trial Period Plan upon receipt of the first payment from the HFA.

Once a Servicer receives funds from the HFA on behalf of the Borrower, the Servicer must cancel any existing relief or workout arrangement with the Borrower, unless the relief or workout arrangement is a short sale/short payoff or DIL or the Borrower has signed a Modification Agreement for a permanent modification under Chapter B65 or Chapter C65, *Home Affordable Modification Program*.

> **For example**, if the Servicer receives funds from the HFA for a Borrower who has **not executed a Home Affordable Modification Agreement** and is in a HAMP Trial Period, then the Servicer must cancel the HAMP Trial Period Plan with the HAMP Program Administrator. (Refer to "Reporting the cancellation of a HAMP Trial Period Plan" for additional requirements.)

Transition from HFA assistance to other alternatives to foreclosure

Within 30 days following notification that the Borrower has been re-employed or within 30 days prior to expiration of the period of assistance, whichever is earlier, Servicers must re-evaluate the Borrower for a reinstatement or relief option as provided in Chapter A65, *Reinstatements and Relief Options*, or a workout option in accordance with the sequence provided in Section B65.1, *Introduction*.

Although Section C65.4, *Eligibility*, provides that a Borrower may be eligible for only one Trial Period Plan, Servicers may consider a Borrower to be eligible for another HAMP Trial Period Plan for purposes of this Bulletin, if the Borrower was performing in accordance with the terms of the previous Trial Period Plan (i.e., making timely Trial Period payments) prior to entering into a mortgage assistance agreement with the HFA.

If the Borrower is eligible for another HAMP Trial Period once HFA assistance ends, he or she must be evaluated for a new Trial Period based upon the Borrower's status (including income) at the time of the

new evaluation and must not resume/restart the previously cancelled HAMP Trial Period Plan. The Borrower shall not be denied the protections of Section C65.7.1, *Foreclosure Actions and Borrowers in Bankruptcy*, due solely to the cancellation of the previous HAMP Trial Period Plan because of HFA assistance. In addition, pay for performance and pay for success incentives will be based on the new HAMP Trial Period Plan effective date, and the Borrower shall not receive credit for payments made under the cancelled HAMP Trial Period Plan.

Cancellation of agreement

If the Servicer does not receive a full contractual payment from the HFA in the month that it is due, it must consider the mortgage assistance with the HFA to be cancelled and resume normal Servicing activity (including resumption of collection activities as applicable) in accordance with the requirements of the Guide. The Servicer must use good business judgment to determine whether mitigating circumstances caused the payment to be late (such as a clerical error on part of the HFA). Exceptions must be documented and retained in the Mortgage file.

Reporting requirements

Reporting to Freddie Mac

Servicers must notify Freddie Mac via an Electronic Default Reporting (EDR) transmission within the first three Business Days of the month following the month in which they received notification that the Borrower entered into an agreement with an HFA for mortgage assistance. Servicers must report default action code 09 (“Forbearance Plan”) and default reason code 016 (“Unemployment”) and provide the date they were notified that the Borrower entered into such agreement with the HFA.

Servicers are expected to report default action code 09 on a Borrower who is current on the Mortgage if their servicing system permits such functionality. However, if servicing system functionality does not permit such reporting, Servicers are not required to do so.

Servicers must continue to report each month that the Borrower is receiving mortgage assistance from the HFA until the period of assistance ends.

Reporting the cancellation of a HAMP Trial Period Plan

For Borrowers that are in a HAMP Trial Period and have been approved for unemployment mortgage assistance, the Servicer must:

- Cancel the HAMP Trial Period Plan with the HAMP Program Administrator in the month in which the mortgage assistance agreement becomes effective; and
- Save the Mortgage in Workout Prospector® to the applicable “Borrower Declined Terms/Ineligible” status

Note: If a Servicer determines that a Borrower is eligible for another Trial Period Plan once the period of mortgage assistance ends, it is required to report the new Trial Period in the HAMP Reporting Tool. The HAMP Reporting Tool will be modified to facilitate the reporting of another Trial Period Plan for the same Borrower. Within 30 calendar days of the availability of this new functionality, the Servicer must begin reporting the required data into the HAMP Reporting Tool from that point forward. In the interim, the Servicer must retain the required data elements for subsequent reporting once system functionality becomes available.

MORTGAGE REINSTATEMENT PROGRAM

Overview

To assist eligible Borrowers with reinstating their Mortgage, the HFA will deliver a one-time lump sum payment through Automated Clearing House (ACH) credit or other method acceptable to the Servicer. The Servicer may not require reinstatement to occur before any relief or workout option in the Guide, but the HFA may agree to do so if it is deemed appropriate for the Borrower.

Except as otherwise noted in this Bulletin, Servicers must process the reinstatement in accordance with the Guide.

Foreclosure actions

Upon notification that a Borrower is conditionally approved for mortgage assistance under a mortgage reinstatement program, Servicers must not refer the Borrower's Mortgage to foreclosure, or conduct a foreclosure sale for 45 days, unless the HFA notifies the Servicer that the Borrower has been determined to be ineligible for mortgage assistance. Servicers are reminded that, to the extent that they suspend foreclosure proceedings, they must ensure that they take all appropriate legal action necessary to preserve the right to re-commence foreclosure proceedings from the point of suspension should the Borrower fail to qualify for HFA mortgage assistance.

Servicers must notify the HFA if a scheduled foreclosure sale cannot be halted due to situations where a court with jurisdiction over the foreclosure proceeding (if any) or public official fails or refuses to halt the sale.

Borrowers receiving HFA assistance

Once a Mortgage is reinstated, Servicers should evaluate each Borrower's individual circumstances to determine if additional assistance in the form of a relief or workout option is appropriate. However, Servicers must not cancel a Borrower's HAMP Trial Period Plan as a result of reinstatement provided under an HFA's mortgage reinstatement program.

Reporting requirements

Servicers must report the reinstatement to Freddie Mac in accordance with the requirements of Section A65.10, *Reporting and Processing the Reinstatement*, and Section 64.10, *Monthly Electronic Default Reporting (EDR)*.

CONCLUSION

If after reviewing this Bulletin you have any questions about your role in the HFAs' mortgage assistance programs as part of the HHF initiative, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management

Freddie Mac
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Bulletin

NUMBER: 2010-26

TO: Freddie Mac Servicers November 2, 2010

SUBJECT: FORECLOSURE AND BANKRUPTCY REFERRALS IN FLORIDA

In this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is announcing that it has terminated its relationship with the Law Offices of David J. Stern, P.A. Freddie Mac had already directed the Law Offices of David J. Stern, P.A that it should not accept any new case referrals, and that it should temporarily stop processing all Florida foreclosure and bankruptcy matters on ***all*** Freddie Mac Mortgages. Servicers may not refer any new Freddie Mac foreclosure or bankruptcy cases to the Law Offices of David J. Stern, P.A., whether referred within or outside Freddie Mac's Designated Counsel Program.

Freddie Mac is in the process of identifying law firms to which it will direct the transfer of cases from the Law Offices of David J. Stern, P.A., and that will assume responsibility of these matters.

Guide Exhibit 79, *Designated Litigation Counsel/Trustee*, has been updated to remove the Law Offices of David J. Stern, P.A. from the list of approved Designated Counsel firms.

CONCLUSION

If you have any questions, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing" from the menu.

Sincerely,

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management

Bulletin

NUMBER: 2010-27

TO: Freddie Mac Servicers November 15, 2010

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making the following changes to our **Servicing requirements**:

- Updating the Guide to permit Document Custodians to release Notes directly to designated counsel when the original Note is needed to foreclose
- Updating our requirements with respect to the accrual and collection of late charges for forbearance agreements and repayment plans
- Revising the Guide to reflect that a modified Mortgage, processed under Guide Chapter B65, *Workout Options*, must be a fully amortizing fixed-rate Mortgage
- Updating the contact information for Servicers to notify Freddie Mac that a conversion option has been exercised for a convertible adjustable-rate Mortgage (ARM)

In addition, we are providing additional guidance and reminders related to the **Home Affordable Modification Program (HAMP)**:

- Providing additional guidance on Servicer and Borrower incentives for FHA, VA and Rural Housing Service (RHS) Mortgages modified under HAMP
- Reminding Servicers that, as previously communicated to them, certain HAMP documents have been revised

Finally, we have updated Guide Section C65.6, *Underwriting the Borrower*, to include the provision that if a Servicer has a Freddie Mac Broker's Price Opinion (BPO) or appraisal that is less than 90 days old on the date the Servicer evaluates the Borrower for a HAMP Trial Period Plan using the Treasury NPV Model, the Servicer may use that BPO or appraisal. This provision was inadvertently omitted when Chapter C65, *Home Affordable Modification Program*, was revised with the July 28, 2010 Bulletin.

Effective date

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

Designated counsel's request for release of documents in foreclosure actions

In some States, original Notes are required to process foreclosures and in those cases, Servicers typically request the Note from the Document Custodian and forward it to the foreclosure counsel. For foreclosures referred to designated counsel, in order to add greater efficiency to the process, we are updating the Guide to permit the designated counsel to request the Note directly from the Document Custodian. To request the Note from the Document Custodian, the designated counsel must complete and submit Form 1036DC, *Designated Counsel's Request for Release of Documents*, which Freddie Mac will provide to designated counsel.

Sections 18.6, *Document Custodian's Functions and Duties*, 66.16, *How to Initiate Foreclosure*, and 66.20, *Obtaining the Original Note*, have been updated to reflect this change.

Late charges associated with forbearance agreements and repayment plans

We are updating our requirements for long-term forbearance to explicitly provide that a Servicer may include in the long-term forbearance agreement any accrued late charges due from a Borrower at the time the Servicer entered into the agreement with the Borrower. In addition, Servicers must not accrue or collect late charges from the Borrower during the long-term forbearance period, and the subsequent repayment plan period, as applicable, if the Borrower is paying as stipulated in the agreement(s). This is consistent with our requirements for short-term forbearance agreements.

Servicers may recommence accrual of late charges if the Borrower defaults on any forbearance agreement or repayment plan.

Sections A65.16, *Repayment Plan Requirements*, A65.20, *Short-term Forbearance Requirements*, and A65.24, *Long-term Forbearance Requirements*, have been updated to reflect this change.

Modified mortgage conditions

We have revised Section B65.20, *Modified Mortgage Conditions*, to include our existing requirement that a modified Mortgage must be modified to a fully amortizing fixed-rate Mortgage. The Mortgage after modification must not be: an interest-only Mortgage, a bi-weekly Mortgage or a daily simple interest Mortgage.

Notification of a conversion through the automated conversion process

We have revised the contact information for Servicers to notify Freddie Mac when a Servicer is processing a conversion of a convertible adjustable-rate Mortgage (ARM) to a fixed interest rate through the automated conversion process. Servicers must now call Delivery at (800) FREDDIE instead of the previous conversion line.

Section 80.4.2, *Processing a Conversion through the Automated Conversion Process*, has been updated to reflect this change.

HOME AFFORDABLE MODIFICATION PROGRAM

Borrower and Servicer incentives

We have updated the Guide to indicate that Freddie Mac will not pay any Borrower "Pay for Performance" or Servicer "Pay for Success" HAMP incentives for Mortgages modified under HAMP that are insured by the FHA or guaranteed by the VA or RHS. In addition, for such Mortgages, Freddie Mac will not pay Servicers workout compensation fees or the additional $500 incentive payment.

Servicers are reminded that as provided under Section 65.42, *Compensation Program*, they will not receive a workout compensation fee for any workouts completed on FHA, VA or RHS Mortgages.

Sections C65.4, *Eligibility*, and C65.9, *HAMP Incentives*, have been revised to reflect this update.

Revised HAMP documents

In a Single-Family Servicer e-mail dated October 8, 2010, Servicers were advised of revisions to the following HAMP documents:

- Form 3157, *Home Affordable Modification Agreement (3/09 (rev. 10/10))* ("Modification Agreement")
- Form 1118, *HAMP Agreement Cover Letter* ("HAMP Cover Letter")
- *Authorized Changes to Modification/Special Purpose Documents*
- Form 1117, *HAMP Trial Period Plan Notice – Verified Income* ("Trial Period Plan Notice (Verified)")

- Form 1115, *Making Home Affordable Hardship Affidavit* ("MHA Hardship Affidavit")

Servicers are strongly encouraged to begin using the revised documents immediately. Use of the revised documents will become mandatory as follows:

- Servicers must begin using the revised Modification Agreement and HAMP Cover Letter for HAMP modifications with a first payment due date on or after **March 1, 2011**
  - The revised HAMP Cover Letter includes an additional disclosure for Borrowers receiving a HAMP modification that contains principal forbearance. This disclosure informs the Borrower that a principal curtailment may be applied to the deferred principal balance instead of the interest-bearing balance.
  - Servicers must refer to Freddie Mac's updated *Authorized Changes to Modification/Special Purpose Documents* at **http://www.freddiemac.com/uniform/doc/authchanges_specialpurpose.doc** for information regarding required or permitted changes to the revised Modification Agreement
- The revised Trial Period Plan Notice (Verified) must be used for HAMP Trial Period Plans with a first Trial Period payment due date on or after **March 1, 2011**
- If the Servicer elects to use a proprietary financial information form in lieu of the Form 1114, *Making Home Affordable Request for Modification and Affidavit* ("RMA"), it must either use the revised MHA Hardship Affidavit or incorporate the contents of the revised MHA Hardship Affidavit into its proprietary financial information form for HAMP requests received or initial packages sent on or after **March 1, 2011**

Freddie Mac's documents were revised as a result of Treasury's issuance of its revised HAMP documents, which included new Treasury program requirements implementing the Principal Reduction Alternative (PRA) offering for non-Government Sponsored Enterprise (GSE) Servicers, announced in Treasury's HAMP Supplemental Directive 10-05 (Modification of Loans with Principal Reduction Alternative) ("SD 10-05").

Treasury's PRA offering does not apply to Freddie Mac-owned Mortgages; therefore, the revised Freddie Mac HAMP documents do not include updates related to PRA. In addition, Treasury documents no longer specify that a borrower's principal curtailment may be applied to the deferred principal balance. Freddie Mac Servicers must use the Freddie Mac HAMP documents and cannot use those posted on HMPadmin.com in connection with Servicing Freddie Mac-owned Mortgages.

Until otherwise notified, Freddie Mac Servicers must not implement the requirements in SD 10-05 for Freddie Mac Mortgages, including Freddie Mac-owned Mortgages insured or guaranteed by any federal agency, such as the FHA.

All of Freddie Mac's revised documents are available at **http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html**

A Spanish translation of the revised *Authorized Changes to Modification/Special Purpose Documents* is also available at **http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html**. Spanish translations of the other revised HAMP-related documents will be posted to our web site as they become available.

Section C65.2, *HAMP Documentation*, Guide Exhibit 4, *Single-Family Uniform Instruments*, and Exhibit 5**,** *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, have been updated to reflect this announcement.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 18, A65, B65, C65, D65, 66, and 80
- Exhibits 4 and 5
- Glossary

CONCLUSION

If you have any questions, please contact your Freddie Mac representative or call (800) FREDDIE and select “Servicing” from the menu.

Sincerely,

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2010-28

TO: Freddie Mac Sellers November 19, 2010

2011 LOAN LIMITS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is announcing that, in accordance with an announcement made today by the Federal Housing Finance Agency (FHFA), we are maintaining temporary loan limits in designated high-cost areas at 2010 levels through **September 30, 2011**; the base conforming loan limits for 2011 will also remain at their 2010 levels.

BACKGROUND

Today, FHFA announced that, under terms set forth in a recently-enacted Congressional continuing resolution (Public Law Number 111-242), the maximum conforming loan limits for Mortgages secured by properties located in designated high-cost areas that are originated in the first nine months of 2011 will remain unchanged from existing loan limits for 2010 originations. The base conforming loan limits will also remain at their 2010 levels through 2011.

BASE CONFORMING LOAN LIMITS

The base conforming loan limits for 2011 will remain at the current levels ($417,000 for 1-unit properties; higher limits apply for 2- to 4-unit properties and properties in Alaska, Guam, Hawaii and the U.S. Virgin Islands).

Guide Section 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, will be updated in a future Bulletin to reflect these 2011 base conforming loan limits.

LOAN LIMITS IN DESIGNATED HIGH-COST AREAS – SUPER CONFORMING MORTGAGES

The Housing and Economic Recovery Act of 2008 (HERA) allows for higher limits, currently up to $625,500 for a one-unit single-family residence, in designated high-cost areas. In addition, in certain designated high-cost areas, the temporary higher loan limits are the higher of the temporary limits established by the Economic Stimulus Act of 2008 (ESA) (maximum of $729,250 for a one-unit single-family residence) and the permanent high-cost limits established by HERA. (Under HERA and ESA, higher maximum limits apply in Alaska, Guam, Hawaii, and the U.S. Virgin Islands.)

Under the Congressional continuing resolution, the higher of the ESA or HERA maximum permitted loan limits will continue to apply to Mortgages with Note Dates on or after **October 1, 2010** and on or before **September 30, 2011**. Actual loan limits for a specific high-cost area may be lower than the maximum permitted loan limit.

The high-cost area loan limits are derived from median home values estimated by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development (HUD) to determine its own lending limits. FHA will allow a 30-day appeals period to evaluate individual requests for area median home value increases. If an individual high-cost area loan limit is increased as the result of an appeal, FHFA will issue a subsequent announcement and Freddie Mac will advise Sellers of the increase on FreddieMac.com.

The extension of the temporary high-cost area loan limits through **September 30, 2011** applies to super conforming Mortgages with Note Dates on or after **October 1, 2008** and on or before **September 30, 2011**.

Section L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*, will be updated in a later Bulletin to reflect the extension of the temporary loan limits through **September 30, 2011**.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-29

TO: Freddie Mac Sellers November 22, 2010

SUBJECTS

In this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are pleased to announce a new pooling option for super conforming Mortgages. This new option provides greater flexibility for Sellers when delivering fixed-rate Mortgages to Freddie Mac under the Guarantor and MultiLender Swap programs.

We are also announcing improvements to the Freddie Mac Selling System ("Selling System") that will streamline data changes related to Best Efforts contracts.

Finally, we are reminding Sellers of our Guide requirements for proper Note endorsements, which do not permit the use of stickers.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately.

SUPER CONFORMING MORTGAGES

Freddie Mac is announcing the capability to form pools containing up to and including 100% super conforming Mortgages in non-TBA Gold and Giant PC Pools. Sellers must have a separate Master Commitment Contract to utilize this option and should contact their Freddie Mac Account Manager for additional information.

Super conforming Mortgages may still be delivered into TBA pools, provided the aggregate unpaid principal balance (UPB) of the super conforming Mortgages does not exceed 10% of the total UPB of the PC Pool.

Guide Chapter 13, *Pooling and Disclosure Requirements for Fixed-Rate and Balloon/Reset Mortgages Under the Fixed-Rate Guarantor or MultiLender Swap Programs*, and Guide Exhibit 17S, *Mortgage Products Available through the Selling System*, have been amended to reflect this change. We have also updated the PC Prefix Guide.

BEST EFFORTS CONTRACT SELLING SYSTEM ENHANCEMENTS

Freddie Mac is also updating the Selling System to streamline the process for delivering Mortgages under Best Efforts Contracts. The new Selling System release enables Sellers to correct erroneous Borrower and property data, and to accept changes proposed by the Note Custodian without receiving prior approval from Freddie Mac.

Chapter 9, *Fixed-Rate Cash through the Selling System*, has been amended to reflect this change.

PROPER NOTE ENDORSEMENTS

Freddie Mac is reminding Sellers and Document Custodians that endorsing Notes by using stickers to affix signatures for Mortgages sold to Freddie Mac does not comply with our requirements for endorsement, specified in Guide Section 16.4, *Endorsement of Notes*, and Document Custodians must reject Notes endorsed using such a method.

For an endorsement to be acceptable to Freddie Mac and certified by a Document Custodian pursuant to Chapter 16, *Documentation Delivery*, Guide subsection 16.4(a), *Without Recourse*, the endorsement must be made on the Note with either an ink signature, or a facsimile signature as permitted by Guide subsection 16.4(d), *Facsimile Signature*. An allonge that meets all of the conditions set forth in Guide subsection 16.4(e), *Use of an Allonge for the Endorsement of a Note*, may also be used to endorse a Note.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

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We make home possible®

Bulletin

NUMBER: 2010-30

TO: Freddie Mac Sellers and Servicers November 22, 2010

Effective date: March 1, 2011

In this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, effective for all Mortgages sold to Freddie Mac with Settlement Dates on or after **March 1, 2011**, we are revising our postsettlement delivery fees ("delivery fees").

INTRODUCTION

These delivery fee changes address the current increased risk and costs associated with certain higher loan-to-value (LTV) Mortgages. The changes help to ensure that we are adequately compensated for the continued provision of essential liquidity to the mortgage market, and are able to continue our support for affordable lending while being diligent stewards of taxpayer funding.

It should be noted that delivery fees do not automatically translate to a change in the rates borrowers pay for mortgages and the Seller, not Freddie Mac, controls the terms offered to a Borrower and consequently determines how an increase in fees is factored into Mortgage pricing. We believe, however, that generally these increases will have a nominal effect on consumer affordability. For example, if a Seller chooses to apply a 25 basis point delivery fee price to an interest rate, the estimated impact to the interest rate is approximately 0.05 basis points on a fully-amortized 30-year Mortgage. According to standard mortgage calculators, this would add less than $10 to the monthly payment on a 5%, 30-year fixed-rate mortgage for $200,000.

For certain Mortgages, we are:

- Increasing the Indicator Score/LTV delivery fee rates by 25 or 50 basis points for Mortgages with certain Indicator Score/LTV ratio combinations
- Increasing the Secondary Financing delivery fee rate by 25, 50, or 75 basis points for Mortgages with certain LTV/total LTV (TLTV) and Indicator Score combinations
- Adding a new Secondary Financing delivery fee for Mortgages with LTV ratios less than or equal to 65%, and TLTV ratios greater than 80% and less than or equal to 95%
- Revising TLTV parameters for Mortgages with Secondary Financing and LTV ratios greater than 65% and less than or equal to 75%

DETAILED CHANGES

Indicator Score/Loan-to-Value delivery fee rates

We are increasing the Indicator Score/Loan-to-Value delivery fee rates for Mortgages with certain Indicator Score/LTV ratio combinations. Revised delivery fees are noted in bold, below:

INDICATOR SCORE / LOAN-TO-VALUE Effective for Settlements on or after March 01, 2011							
Product	**Credit Score**	**LTV RATIOS**					
		ALL ELIGIBLE					
		≤ 60%	**> 60% & ≤ 70%**	**> 70% & ≤ 75%**	**> 75% & ≤ 80%**	**> 80% & ≤ 85%**	**> 85%**
All Eligible Product	**≥ 740**	-0.25%	0.00%	0.00%	**0.25%**	**0.25%**	**0.25%**
	≥ 720 & < 740	-0.25%	0.00%	**0.25%**	**0.50%**	**0.50%**	**0.50%**
	≥ 700 & < 720	-0.25%	0.50%	**0.75%**	**1.00%**	**1.00%**	**1.00%**
	≥ 680 & < 700	0.00%	0.50%	**1.25%**	**1.75%**	**1.50%**	**1.25%**
	≥ 660 & < 680	0.00%	1.00%	**2.25%**	**2.75%**	**2.75%**	**2.25%**
	≥ 640 & < 660	0.50%	1.25%	**2.75%**	**3.00%**	**3.25%**	**2.75%**
	≥ 620 & < 640	0.50%	1.50%	**3.00%**	**3.00%**	**3.25%**	**3.25%**
	< 620	0.50%	1.50%	**3.00%**	**3.00%**	**3.25%**	**3.25%**

Mortgages with Secondary Financing Indicator Score/Loan-to-Value delivery fees

We are adding a new delivery fee rate and increasing other rates for certain Mortgages with Secondary Financing and Indicator Score/LTV ratio combinations. Revised delivery fees are noted in bold, below:

MORTGAGES WITH SECONDARY FINANCING Effective for Settlements on or after March 01, 2011				
Product	**LTV RATIOS**	**TLTV Ratios**	**Credit Score**	
			< 720	**≥ 720**
All Eligible Product	**≤ 65%**	**> 80% & ≤ 95%**	**0.50%**	**0.25%**
	> 65% & ≤ 75%	**> 80% & ≤ 95%**	**0.75%**	**0.50%**
	> 75% & ≤ 80%	**> 76% & ≤ 90%**	**1.00%**	**0.75%**
	> 75% & ≤ 80%	**> 90% & ≤ 95%**	**1.00%**	**0.75%**
	> 80% & ≤ 90%	**> 81% & ≤ 95%**	1.00%	**0.75%**
	> 90% & ≤ 95%	**> 90% & ≤ 95%**	0.50%	0.25%
	ALL	**> 95%**	1.50%	1.50%

REVISIONS TO THE GUIDE

Exhibit 19, *Postsettlement Delivery Fees*, has been updated to reflect the changes described in this Bulletin. We have also revised Exhibit 19 to delete all references to Initial Interest Mortgages, as these Mortgages are not eligible for delivery to Freddie Mac. Additionally, we have removed delivery fees on the Number of Units grid that no longer apply due to changes announced in previous Bulletins.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-31

TO: Freddie Mac Sellers December 16, 2010

SUBJECT: UNIFORM APPRAISAL DATASET AND UNIFORM COLLATERAL DATA PORTAL REQUIREMENTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is providing requirements for the Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal (UCDP).

Background

As part of the Uniform Mortgage Data Program, Freddie Mac and Fannie Mae ("GSEs") have worked together at the direction of their regulator, the Federal Housing Finance Agency (FHFA), to develop the UAD and the UCDP in an effort to enhance appraisal data quality and consistency and promote the electronic collection of appraisal data.

The UAD standardizes key appraisal data elements for a subset of fields on four of the primary appraisal report forms used by the GSEs.

The standardization of these data elements will support consistent appraisal reporting, regardless of geographic location of the property or any localized reporting conventions, by addressing vague or disparate data currently included on some appraisal reports, such as:

- Variations in formatting numbers, dates, and measures
- Inconsistent terminology for identical information (such as "residential" vs. "typical" or "none")
- Inconsistent use of descriptions (for example, quality of construction is sometimes reported in absolute terms such as "brick" and in relative terms, such as "average")

The UCDP is the joint portal through which Sellers will electronically submit certain appraisal report forms to the GSEs.

Through the UAD and UCDP, Sellers will have a GSE-consistent approach and understanding of appraisal requirements along with one common submission portal for appraisal data.

Uniform Appraisal Dataset

The UAD is required for appraisals that have effective dates on or after **September 1, 2011** and are completed on the appraisal report forms listed below**.** Only conventional Mortgages sold to Freddie Mac must meet this requirement.

The UAD includes all data points required to complete the following four appraisal report forms:

- Uniform Residential Appraisal Report (Freddie Mac Form 70)
- Individual Condominium Unit Appraisal Report (Freddie Mac Form 465)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466)
- Exterior-Only Inspection Residential Appraisal Report (Freddie Mac Form 2055)

The GSEs have created the Uniform Appraisal Dataset Specification ("UAD Specification") to provide business and technical requirements for the implementation of the UAD.

Other appraisal report forms may be completed using the standards contained in the UAD Specification to the extent those standards are applicable to that particular form. In addition, although not required, the UAD may be used for appraisals with effective dates prior to September 1, 2011.

The UAD Specification may be amended from time to time. The current version of the UAD Specification can be found on www.freddiemac.com.

Uniform Collateral Data Portal

For conventional Mortgages that require appraisal reports and have residential loan applications dated on or after **December 1, 2011** and Delivery Dates on or after **March 19, 2012**, the appraisal report forms listed below, including all exhibits, addenda and photographs, must be submitted to the UCDP before the Delivery Date of the Mortgage. This includes the four appraisal report forms addressed by the UAD and two additional forms.

- Uniform Residential Appraisal Report (Freddie Mac Form 70)
- Manufactured Home Appraisal Report (Freddie Mac Form 70B)
- Small Residential Income Property Appraisal Report (Freddie Mac Form 72)
- Individual Condominium Unit Appraisal Report (Freddie Mac Form 465)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466)
- Exterior-Only Inspection Residential Appraisal Report (Freddie Mac Form 2055)

Either an acceptable Extensible Markup Language (XML) data stream, including an embedded Portable Document Format (PDF) file, or a first-generation embedded PDF file must be submitted to the UCDP. The PDF file must include all exhibits, addenda and photographs, including Freddie Mac Form 71, *Market Conditions Addendum to the Appraisal Report*. Refer to the UAD Overview for a list of acceptable XML formats. The UAD Overview can be found on www.freddiemac.com.

Sellers may deliver appraisal reports through the UCDP as soon as the portal becomes available. The UCDP is scheduled to become available for appraisal submissions in June 2011. Freddie Mac will notify Sellers when the portal is available.

Freddie Mac appraisal report forms not listed above must not be submitted through the UCDP.

REVISIONS TO THE GUIDE

We have created new Guide Section 44.20, *Appraisal Data and Delivery*, which provides information and requirements relating to the UAD, the UAD Specification and the UCDP.

CONCLUSION

If you have any questions about the UAD, the UAD Specification or the UCDP, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Patricia J. McClung
Vice President
Offerings Management

Bulletin

NUMBER: 2010-32

TO: Freddie Mac Servicers December 17, 2010

SUBJECT: EXTENSION OF SERVICE MEMBER FORECLOSURE PROTECTION

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are revising the expiration date of the extended stay of foreclosure protections for service members originally provided under the Housing and Economic Recovery Act of 2008's (HERA) amendments of the Servicemembers Civil Relief Act (SCRA).

HERA provided additional protections to service members by amending the SCRA to temporarily extend the stay of foreclosure and legal proceedings from 90 days to a period of nine months after the service member's release from active duty.

This HERA provision, as set forth in Guide Sections 66.12.1, *Approving Initiation of Foreclosure on Mortgaged Premises Owned by Borrowers in Active Military Service*, and 82.1, *Military Relief*, expires on December 31, 2010. However, with this Bulletin, Freddie Mac is extending the availability of these protections by revising the expiration date to **December 31, 2011**.

Effective immediately, Servicers must not initiate or resume foreclosure for at least nine months after a service member is released from active duty when the service member is released from active duty on or before December 31, 2011.

Applicable Guide sections will be updated in a future Bulletin to reflect these changes.

Monthly reporting reminder

Servicers must notify Freddie Mac via an Electronic Default Reporting (EDR) transmission within the first three Business Days of the month following the month that a Borrower is granted military relief that interferes with a foreclosure action. Servicers must indicate that the military relief is in effect by using a default action code of 32 and providing the date the relief was granted. Servicers must continue to report each month that the Borrower is receiving relief until it has ended.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management