Freddie Mac
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Bulletin

NUMBER: 2012-1

TO: Freddie Mac Sellers January 5, 2012

INTRODUCTION

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are revising certain requirements announced in Bulletin 2011-22 for the Freddie Mac Relief Refinance Mortgage℠ – Same Servicer and Relief Refinance Mortgage – Open Access offerings.

These revisions will provide more Borrowers with an opportunity to refinance their Freddie Mac-owned Mortgages and to improve their financial position.

In addition, we are updating Guide Exhibit 32, *Terms Relating to Use of Data Generated by Home Value Explorer*®, to revise the terms and conditions for use and disclosure of Home Value Explorer® (HVE) data, and also updating our requirements regarding the suspension of Republic Mortgage Insurance Co. and RMIC of North Carolina (collectively, "RMIC") as Freddie Mac-approved mortgage insurers to include an exception for continuation of coverage for Mortgages refinanced under the Freddie Mac Relief Refinance Mortgages – Open Access offering, provided certain provisions are met.

EFFECTIVE DATE

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

RELIEF REFINANCE MORTGAGES – SAME SERVICER WITH LOAN-TO-VALUE (LTV) RATIOS LESS THAN OR EQUAL TO 80% WITH FREDDIE MAC SETTLEMENT DATES ON OR AFTER JANUARY 5, 2012

For Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80% and Freddie Mac Settlement Dates on or after January 5, 2012, we are eliminating the minimum Indicator Score requirement unless the principal and interest (P&I) payment increase is greater than 20%.

Guide Section C24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Same Servicer with LTV ratios less than or equal to 80%*, has been revised to reflect this change.

RELIEF REFINANCE MORTGAGES – SAME SERVICER AND RELIEF REFINANCE MORTGAGES – OPEN ACCESS WITH LTV RATIOS LESS THAN OR EQUAL TO 80% WITH FREDDIE MAC SETTLEMENT DATES ON OR AFTER JANUARY 5, 2012

For both Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access with LTV ratios less than or equal to 80% and Freddie Mac Settlement Dates on or after January 5, 2012, we are eliminating the maximum total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratios of 105%. There is no longer a maximum TLTV or HTLTV ratio for these Mortgages.

Sections B24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Open Access*, and C24.3 have been revised to reflect this change.

GUIDE EXHIBIT 32 UPDATE

In connection with the recent changes to our Relief Refinance Mortgage requirements, we are updating Exhibit 32 to revise the provisions regarding use and disclosure of HVE data.

RELIEF REFINANCE MORTGAGES – OPEN ACCESS – CONTINUING COVERAGE THROUGH RMIC

In Bulletin 2011-15 we provided information to Sellers regarding the suspension of RMIC as approved mortgage insurers, and included an exception for Mortgages with existing RMIC certificates of insurance refinanced under the Freddie Mac Relief Refinance Mortgages – Same Servicer offering. With this Bulletin we are updating our requirements to add an exception for Freddie Mac Relief Refinance Mortgages – Open Access. Specifically, Mortgages with existing RMIC certificates of insurance are eligible for sale to Freddie Mac if they are refinanced under the Freddie Mac Relief Refinance Mortgage – Open Access offering and the coverage is continued through modification of the existing mortgage insurance certificate. Section B24.4, *Delivery and Pooling Requirements*, has been updated 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 and select "Loan Origination."

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
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Bulletin

NUMBER: 2012-2

TO: Freddie Mac Servicers January 6, 2012

SUBJECT: UNEMPLOYMENT FORBEARANCE

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is introducing unemployment forbearance, a new forbearance relief option that Servicers must use to assist Borrowers who are experiencing a financial hardship due to unemployment.

In addition, Freddie Mac is revising its Home Affordable Modification Program (HAMP) requirements to provide that Borrowers who were in a HAMP Trial Period Plan prior to entering into an unemployment forbearance plan may be re-evaluated for a new HAMP Trial Period Plan upon completion of the unemployment forbearance plan.

OVERVIEW

With Bulletin 2010-17 Freddie Mac required Servicers to consider unemployed Borrowers for the forbearance relief options described in Guide Chapter A65, *Reinstatements and Relief Options*.

With this Bulletin Freddie Mac is introducing new forbearance requirements to provide a "short-term unemployment forbearance" relief option to assist Borrowers who are unable to make their Mortgage payment due to unemployment. In addition, Freddie Mac is introducing an "extended unemployment forbearance" relief option to provide an extension of the forbearance period if such Borrowers have not regained employment after the short-term forbearance period has ended. Including these additional relief options in our loss mitigation tool kit gives unemployed Borrowers an opportunity to retain homeownership by providing Mortgage payment relief while they seek re-employment.

Servicers will have delegated authority to approve eligible Borrowers for a short-term unemployment forbearance period of six months during which time the monthly Mortgage payment is either suspended or reduced. If the Borrower remains unemployed at the end of the short-term unemployment forbearance period, the Servicer must consider the Borrower for extended unemployment forbearance in accordance with the Guide. If the Borrower meets the eligibility criteria for extended unemployment forbearance, the Servicer must obtain Freddie Mac's written approval before entering into an extended unemployment forbearance plan with the Borrower.

EFFECTIVE DATE

Changes announced in this Bulletin are effective **February 1, 2012** for all new Borrower evaluations for an alternative to foreclosure. However, Servicers may begin implementing the unemployment forbearance relief options earlier for all new requests for assistance in which an eligible Borrower's hardship is unemployment.

Additionally, if a Borrower is still unemployed and was previously on a short-term forbearance plan that has since expired, the Servicer must evaluate such Borrower in accordance with the extended unemployment forbearance requirements if the Borrower is not engaged in another alternative to foreclosure.

FORBEARANCE REQUIREMENTS

Short-term and extended unemployment forbearance

If a Borrower has a hardship due to unemployment, the Servicer must first consider the Borrower for short-term unemployment forbearance relief prior to pursuing other alternatives to foreclosure under the Guide. Short-term unemployment forbearance offers Mortgage payment relief for a period of six months. However, the short-term unemployment forbearance must terminate when the Servicer receives notification of the Borrower's re-employment.

If the Borrower is still unemployed during the final month of the short-term unemployment forbearance period, the Servicer must consider the Borrower for extended unemployment forbearance relief.

Extended unemployment forbearance provides Mortgage payment relief for up to an additional six months. However, extended unemployment forbearance may not extend beyond a date that would cause the Delinquency to exceed 12 months of the Borrower's contractual Mortgage payment, including taxes and insurance, if the Servicer is collecting Escrows for such expenses.

If the Borrower regains employment or is otherwise ineligible for extended unemployment forbearance, the Borrower must cure the Delinquency through a full reinstatement, payoff or a repayment plan. If unable to do so, the Borrower must be considered for another workout option in accordance with the evaluation hierarchy outlined in Section 64.6(a).

Impact on Borrower evaluation for other relief and workout options

If an eligible Borrower is offered and declines an unemployment forbearance plan, such Borrower is ineligible for short-term forbearance pursuant to Guide Sections A65.19, *Borrower Requirements*, through A65.21.1, *Reporting Short-Term Forbearance Plans*. However, such Borrower may be evaluated for all other alternatives to foreclosure under the Guide.

If a Borrower in a Trial Period Plan under the Freddie Mac Standard Modification or HAMP becomes unemployed, the Servicer must not require the Borrower to convert from the Trial Period Plan to an unemployment forbearance plan. However, if a Borrower in a Trial Period Plan contacts the Servicer and requests assistance due to unemployment, the Servicer must determine whether the Borrower is eligible for unemployment forbearance relief in accordance with the requirements of the Guide.

Additionally, a Borrower who was in a HAMP Trial Period Plan prior to entering into an unemployment forbearance plan may be re-evaluated for a new HAMP Trial Period Plan if otherwise eligible in accordance with Section C65.4, *Eligibility*. If the Borrower qualifies for HAMP and accepts a new Trial Period Plan once unemployment forbearance ends, the Borrower will be required to start a new Trial Period.

Requesting extended unemployment forbearance

When a Servicer submits a recommendation to Freddie Mac for extended unemployment forbearance, the Servicer must complete and submit new Guide Form 1206, *Freddie Mac Extended Unemployment Forbearance Request*, along with all of the following documentation:

- A complete Borrower Response Package
- Credit report (or in-file credit report)
- Tax transcript if the Servicer processed either Internal Revenue Service (IRS) Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript*, or Form 4506-T, *Request for Transcript of Tax Return*

New Form 1206 is also available for download at **http://www.freddiemac.com/sell/forms/docs/1206.xls**

REVISIONS TO THE GUIDE

Servicers must refer to new Sections A65.26, *Unemployment Forbearance*, through A65.28, *Extended Unemployment Forbearance*, for additional information on the requirements related to short-term and extended unemployment forbearance, including:

- Eligibility criteria/ineligible Mortgages
- Forbearance terms
- Borrower documentation
- Borrower payments
- Documenting the forbearance plan
- Transitioning from or to other alternatives to foreclosure
- Reporting requirements
- Servicer assessment of late fees

The revisions included in this Bulletin also impact the following:

- Section A65.3, *Chapter Contents*
- Section A65.13, *Relief Option Contents*
- Section A65.18, *What is Short-Term Forbearance?*
- Section A65.21, *Approval Authority*
- Section A65.22, *What is Long-Term Forbearance*
- Section B65.13, *Eligibility Requirements for a Freddie Mac Standard Modification*
- Section B65.19, *Trial Period Plan Requirements*
- Section C65.4, *Eligibility*
- Directory 5

CONCLUSION

Servicers should contact their Freddie Mac representative or call (800) FREDDIE and select "Servicing" if they have any questions about the changes announced in this Bulletin.

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

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Bulletin

NUMBER: 2012-3

TO: Freddie Mac Sellers January 31, 2012

SUBJECT: UNIFORM LOAN DELIVERY DATASET UPDATE

In a December 14, 2011 Single-Family Update e-mail that was consistent with a press release issued by the Federal Housing Finance Agency (FHFA), Freddie Mac announced an extension to the Uniform Loan Delivery Dataset (ULDD) implementation dates to allow additional time and support for a successful transition for the mortgage finance industry. With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are updating the Guide to reflect the revised effective dates.

We are also updating Guide Chapter A17, *Mortgage Delivery Instructions*, to provide new requirements, as well as additional instructions and clarifications, for delivery of ULDD data.

Lastly, we are notifying Sellers that we have updated Appendix A, *XML Data Requirements, Version 1.0.4*, ("Appendix A") and the *Appendix A Addendum* of the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD") to reflect the revised effective dates and changes to Chapter A17.

REVISED EFFECTIVE DATES

Bulletins 2011-6 and 2011-14 stated that the initial implementation phase ("Phase I implementation") for ULDD delivery requirements would be effective for Mortgages delivered to Freddie Mac on or after March 19, 2012 with Application Received Dates on or after December 1, 2011.

As announced on December 14, 2011, Phase I implementation requirements will now be effective for Mortgages delivered to Freddie Mac on or after **July 23, 2012** with Application Received Dates on or after December 1, 2011. The extension of the ULDD delivery effective date will help ensure that systems continue to work together successfully throughout this industry-wide initiative.

Bulletin 2011-6 announced a transition period beginning on January 23, 2012 when the Freddie Mac Selling System ("Selling System") would be updated with the new ULDD-named fields and layout. This transition period will now begin on **April 23, 2012**.

Effective dates for the Uniform Collateral Data Portal® (UCDP®) remain unchanged.

In addition to updating the Guide, we have revised the Document Custody Procedures Handbook to reflect the revised dates. The updated handbook is available on AllRegs® and at **http://www.freddiemac.com/cim/handbook.html**

NEW ULDD DATA POINTS

In a November 10, 2011 Single-Family Update e-mail, we notified Sellers that Freddie Mac and Fannie Mae ("GSEs") will require the delivery of new ULDD Data Points to comply with the Securities and Exchange Commission (SEC) Rule 15Ga-1 (*76 Fed. Reg. 4489 (January 26, 2011), codified at 17 CFR §240.15GA-1*), which is part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. This rule requires all securitizers, including the GSEs, to publicly disclose information regarding asset-backed securities (ABS) loan repurchase requests, such as the identity of the entity funding the applicable Mortgage, as shown on the Note.

Effective for all Mortgages with Application Received Dates on or after **August 1, 2012** that are delivered on or after **November 26, 2012,** Sellers must deliver the following new ULDD Data Points:

- *Party Role Type* (Sort ID 641.2) with a valid value of "Note Pay To" to indicate that the associated information applies to the entity funding the applicable Mortgage, as shown on the Note
- *Full Name* (Sort ID 641.1) with the name of the entity funding the applicable Mortgage, as shown on the Note

Guide Section A17.7, *Loan Data Required for All Mortgages*, has been updated to reflect this change.

CHAPTER A17 UPDATES

With Bulletin 2011-14 we added Chapter A17 to the Guide, which, effective **July 23, 2012**, replaces Chapter 17, *Mortgage Delivery and Settlement Processing*, and which sets forth the data delivery requirements for Phase I implementation.

With this Bulletin Chapter A17 has been updated to reflect the revised effective dates, to provide additional details relating to delivery of several ULDD Data Points and to include the two new ULDD Data Points described above.

Delivery of data for modified Mortgages

Sections A17.3, *Organization of Delivery Instructions for ULDD Data Points*, A17.34, *Seller-Owned Modified Mortgages*, and A17.35(b)(v), *Mortgages with Modification Documentation for Site-Built Homes*, have been updated to provide additional information about the special delivery requirements applicable to modified Mortgages. These updates align these Guide sections with previously published Appendix A requirements.

Delivery of data for Construction Conversion or Renovation Mortgages with Modification Documentation

Effective for Construction Conversion or Renovation Mortgages with Modification Documentation delivered on or after **November 26, 2012,** with Application Received Dates on or after **August 1, 2012,** we have reduced the number of ULDD Data Points that must be delivered as specified in Appendix A.

Section A17.35(b)(v) has been updated to reflect the revised requirements of the *Appendix A Addendum*.

Additional details and clarifications regarding other ULDD Data Points

Effective for Mortgages delivered on or after **November 26, 2012,** with Application Received Dates on or after **August 1, 2012,** we have revised the list of valid values that may be delivered for a limited number of ULDD Data Points to more accurately reflect Freddie Mac requirements.

Sections A17.11, *Property Data Required for All Mortgages*, A17.18, *Home Possible® Mortgages*, A17.25, *Condominium Unit Mortgages*, A17.26, *Mortgage Insurance Requirements*, and A17.39, *Super Conforming Mortgages*, have been updated to reflect these changes. Sections A24.4, B24.4 and C24.4, *Delivery and Pooling Requirements*, and Guide Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, have also been updated to reflect revised valid values.

Chapter A17 has also been revised to include clarifications and additional details relating to certain ULDD Data Points, effective for Mortgage deliveries on the dates specified in Chapter A17.

REVISIONS TO THE GUIDE

We have updated applicable sections of the Guide to reflect the date changes of January 23, 2012 to April 23, 2012 and March 19, 2012 to July 23, 2012.

In addition to revising the effective dates, we have updated the following sections of Chapter A17 to reflect other revisions included in this Bulletin:

- A17.1, *Overview*
- A17.3, *Organization of Delivery Instructions for ULDD Data Points*
- A17.7, *Loan Data Required for All Mortgages* - A17.13, *Loan Prospector® Mortgage Underwriting Data Requirements*
- A17.16, *Section 184 Native American Mortgages*
- A17.18, *Home Possible® Mortgages*
- A17.21, *Refinance Mortgages*
- A17.23, *Subsidy Buydown Mortgages* - A17.27, *Mortgages with Capitalized Balances*
- A17.29, *Affordable Merit Rate® Mortgages*
- A17.32, *Loan Prospector® Mortgages Originated using Home Value Models* - A17.36, *Freddie Mac-Owned Converted Mortgages Subject to Repurchase and Resale*
- A17.39, *Super Conforming Mortgages*
- A17.42, *Mortgages with Secondary Financing*
- A17.43, *Mortgages with Living Trusts or Illinois Land Trusts as the Borrower*

We have also revised delivery requirements for Freddie Mac Relief Refinance Mortgages℠ in Sections A24.4, B24.4 and C24.4 to reflect updates made to Chapter A17.

FREDDIE MAC IMPLEMENTATION GUIDE FOR LOAN DELIVERY DATA UPDATES

An updated version of Appendix A has been posted, which incorporates the information previously contained in the *Appendix A Addendum* effective for Mortgages delivered to Freddie Mac on or after **July 23, 2012** with Application Received Dates on or after **December 1, 2011**.

A new *Appendix A Addendum* that reflects additional requirements effective for Mortgages delivered on or after **November 26, 2012,** with Application Received Dates on or after **August 1, 2012,** has also been posted.

We have made additional changes to the Freddie Mac IG-LD as well as other ULDD resources.

The Freddie Mac IG-LD, including the updated Appendix A and new *Appendix A Addendum*, is located under the Technical Resources tab on the ULDD page of our web site at **http://www.freddiemac.com/sell/secmktg/uniform_delivery.html**

TRAINING AND RESOURCES

Freddie Mac remains committed to providing Sellers with the resources necessary for ULDD implementation. Sellers should review the Learning Center web page at **http://www.freddiemac.com/learn/uw/umdp.html** for ULDD training information and resources.

In addition, the Selling System Customer Test Environment (CTE) is available to help Sellers prepare for implementation of the ULDD. Before Sellers can access the CTE, they must complete a ULDD Selling System CTE web training session. Sellers may register for training now through the Learning Center.

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 “Delivery.”

Sincerely,

Laurie A. Redmond
Vice President
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Bulletin

NUMBER: 2012-4

TO: Freddie Mac Sellers February 10, 2012

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are revising our requirements for nonassumable Rural Housing Service (RHS) Section 502 GRH Mortgages to require that these Mortgages be sold with recourse.

We are also updating the Guide to eliminate the terms "Mortgages for Newly Constructed Homes" and "Newly Built Home Mortgage."

Lastly, we are reminding Sellers of certain changes to our Relief Refinance Mortgage℠ offerings that were announced in Bulletin 2011-22.

NONASSUMABLE SECTION 502 GRH MORTGAGES – EFFECTIVE FOR MORTGAGES WITH SETTLEMENT DATES ON OR AFTER JUNE 1, 2012

With this Bulletin we are requiring that nonassumable RHS Section 502 GRH Mortgages be sold with recourse, within the meaning of Guide Section 11.10(a).

With this change:

- We will no longer require a minimum Indicator Score of 620 for these Mortgages
- In addition to obtaining Freddie Mac's approval to sell assumable Section 502 GRH Mortgages, the Seller must also obtain Freddie Mac's written approval, which must be expressly included in the Seller's Purchase Documents, to sell nonassumable Section 502 GRH Mortgages. The Seller should request this written approval by calling its account manager or (800) FREDDIE.

Section 35.2, *Rural Housing Service (RHS) Section 502 Guaranteed Rural Housing Mortgages*, has been updated to reflect these changes.

MORTGAGES FOR NEWLY CONSTRUCTED HOMES – EFFECTIVE IMMEDIATELY

With this Bulletin we have updated the Guide, including renaming Guide Chapter K33, *Construction Conversion and Renovation Mortgages*, and updating the Glossary to remove the term "Newly Built Home Mortgage," which was defined as "a Mortgage secured by a newly constructed site-built home or a newly purchased Manufactured Home." With the change to the age of documentation requirements for Mortgages for Newly Constructed Homes announced in Bulletin 2010-7, this term is no longer necessary. In addition, we have removed the term "Mortgages for Newly Constructed Homes," which was defined as "a Mortgage that is one of the following: a Newly Built Home Mortgage, a Construction Conversion Mortgage or a Renovation Mortgage."

Note that the removal of the term "Newly Built Home Mortgage" does not impact the eligibility of these Mortgages for sale to Freddie Mac. However, Chapter K33 will no longer apply to these Mortgages and Sellers may sell Mortgages previously defined as "Newly Built Home Mortgages" under the applicable Guide requirements.

Sellers are no longer required to deliver Special Characteristics Codes (SCCs) “D49” (Newly Built Home Mortgage-Site-Built) and “D50” (Newly Built Home Mortgage-Manufactured Home). These SCCs will be retired at a later date.

In addition, we have updated Section A17.35, *Construction Conversion and Renovation Mortgages*, to remove the Uniform Loan Delivery Dataset (ULDD) delivery instructions for Newly Built Home Mortgages. At a future date, the *Appendix A Addendum* will be updated to remove "Newly Built Home Mortgage" from the list of valid values that appear for the data point "Loan Program Identifier."

Loan Prospector® and the Freddie Mac Selling System (“Selling System”) will be updated at a later date to reflect these changes.

REMINDER – RELIEF REFINANCE MORTGAGES

We are reminding Sellers that as announced in Bulletin 2011-22, we have made the following changes to our Relief Refinance Mortgage offerings:

- **Relief Refinance Mortgages – Same Servicer**

  Effective with application dates on or after December 1, 2011 and Freddie Mac Settlement Dates on or after February 1, 2012, the maximum loan-to-value (LTV) ratio of 125% was removed for Relief Refinance Mortgages – Same Servicer sold under fixed-rate Cash. As a reminder, Freddie Mac will apply a cash adjustor for Mortgages that have LTV ratios greater than 105% and that are sold under fixed-rate Cash. The cash adjustor applicable to a particular Mortgage will be determined as of the commitment date and will be reflected in the cash pricing shown in the Selling System once the Seller allocates Mortgages to the contract. The current cash adjustor value is 50 basis points (or ½ point in price) and may change from time to time at Freddie Mac’s discretion. To obtain the current cash adjustor value, the Seller will need to call (800) FREDDIE.

  Also, effective with application dates on or after **December 1, 2011** and Freddie Mac Settlement Dates on or after **March 15, 2012**, in addition to certain 1-unit properties, we are permitting the use of Home Value Explorer® (HVE) to determine property value for certain 2-unit properties.

- **Relief Refinance Mortgages – Open Access**

  Effective with application dates on or after **December 1, 2011** and Freddie Mac Settlement Dates on or after **March 15, 2012**:

  - The maximum LTV ratio of 125% will be removed for Relief Refinance Mortgages – Open Access sold under fixed-rate Cash. As a reminder, Freddie Mac will apply a cash adjustor for Mortgages that have LTV ratios greater than 105% and that are sold under fixed-rate Cash. The cash adjustor applicable to a particular Mortgage will be determined as of the commitment date and will be reflected in the cash pricing shown in the Selling System once the Seller allocates Mortgages to the contract. The current cash adjustor value is 50 basis points (or ½ point in price) and may change from time to time at Freddie Mac’s discretion. To obtain the current cash adjustor value, the Seller will need to call (800) FREDDIE.
  - We will permit the use of HVE to determine property value for certain 1- to 2-unit properties. HVE values returned on Loan Prospector Feedback Certificates can be used to determine property value for Relief Refinance Mortgages – Open Access only for Loan Prospector submissions on or after March 15, 2012.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters 1, 2, 6, 11, 13, A13, 17, A17, 22, 23, 25, 32, C33, E33, H33, K33, L33, A34, 35, 37 and 44
- Forms 11 and 13SF
- Exhibit 34A
- Glossary

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 “Loan Origination.”

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

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Bulletin

NUMBER: 2012-5

TO: Freddie Mac Servicers February 15, 2012

SUBJECTS

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

- Providing new requirements relating to the City of Chicago's Vacant Property Ordinance as follows:
  - Adding new Guide Exhibit 59, *City of Chicago Vacant Property Ordinance Expense Codes*, which provides a new set of expense codes that Servicers must use when submitting expense reimbursement requests through the Reimbursement System for activities that are required by Sections 13-12-125, 126, 127 and 135 of the Municipal Code of the City of Chicago ("Ordinance") and not currently required by the Guide
  - Requiring Servicers to make vacant property registration payments to the City of Chicago "under protest"
- Providing two new expense codes to claim reimbursement for fees and court costs that Servicers may incur as a result of pre-foreclosure mediation required by State or local law
- Eliminating the requirement for Servicers to obtain prior consent from Freddie Mac to decline an application for a Mortgage assumption
- Reinforcing the requirement that the Servicer, for itself and on behalf of Freddie Mac, must waive all rights to seek deficiencies for short payoffs and deed-in-lieu of foreclosure transactions on Freddie Mac Mortgages that have closed in accordance with the Guide

We are also:

- Reposting the version of Exhibit 83, *Freddie Mac State Foreclosure Time Lines – In Calendar Days*, that provides the State foreclosure time lines for Mortgages referred to foreclosure prior to October 1, 2011
- Retiring paper Forms 104SF, *Statement of Loan, Workout and REO Expenses and Income*, and 104DC, *Designated Counsel/Trustee*
- Updating Exhibit 51, *Credit Repositories and Information to Report*, to reflect current contact information

EFFECTIVE DATE

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

CITY OF CHICAGO VACANT PROPERTY ORDINANCE

Ordinance expense submission process

Guide Chapters 64, *Delinquencies*, 65, *Loss Mitigation*, 66, *Foreclosure*, 67, *Adverse Matters*, 71, *Reimbursement of Expenses – Reimbursement System*, and Exhibit 57, *1- to 4- Unit Property Approved Expense Amounts*, require Servicers, prior to the completion of the foreclosure sale, to inspect and maintain Mortgaged Premises when they are vacant and the Mortgage related to the vacant property is in default. Servicers should already be familiar with these standards.

On December 12, 2011, Freddie Mac issued an Industry Letter informing Servicers that they must begin separately tracking expenses related to the Ordinance pursuant to a directive from the Federal Housing Finance Agency (FHFA). Servicers should familiarize themselves with the Industry Letter, the FHFA directive and the Ordinance.

Accordingly, Freddie Mac has created new Exhibit 59, which includes a new set of expense codes that Servicers must use for submitting expense reimbursement requests in the Reimbursement System for activities that are required by the Ordinance but not required by the Guide. Servicers must submit the new expense codes for inspection, maintenance, repair and legal expenses that have been incurred due to the Ordinance. Inspection, maintenance, repair and legal expenses that are incurred for activities that are already required by the Guide must be submitted using the current expense codes found in Exhibits 57 and 74, *Expense and Income Codes for Expense Reimbursement Claims.*

The Ordinance expense codes will become active in the Reimbursement System on **March 1, 2012**. Claims for reimbursement of Ordinance-related expenses incurred by Servicers from September 18, 2011 through February 29, 2012 ("Initial Period Expenses"), should be submitted through the Reimbursement System as soon as possible after February 29, 2012. Servicers must submit all claims for reimbursement of Initial Period Expenses no later than May 31, 2012.

For Ordinance-related expenses incurred on or after March 1, 2012, Servicers must submit a request for pre-approval (RPA) through the Reimbursement System for each expense.

Servicers must not submit a reimbursement claim that contains both Ordinance expense codes and non-Ordinance expense codes. A request for reimbursement for activities that require Ordinance expense codes must be submitted under a separate claim from a request for reimbursement for activities that require non-Ordinance expense codes. Similarly, if pre-approval of expenses is required, Servicers must submit a separate RPA that covers only expenses for Ordinance-related activities and a separate RPA that covers only expenses for non-Ordinance related activities.

Servicers must comply with the reimbursement requirements set forth in Chapters 65, 67, 71 and Exhibits 57 and 74 for any expenses that Servicers have held off from submitting, as directed by the December 12, 2011 Industry Letter, that do not fit the criteria of Ordinance expenses as described in Exhibit 59.

Guide Section 71.11, *Expense Amounts Requiring a Servicer Request for Pre-Approval (RPA)*, and Exhibits 57 and 59, have been updated to reflect these changes.

Payments for Ordinance registration fees to the City of Chicago made "under protest"

All payments made by a Servicer to the City of Chicago for registration of a Mortgaged Premises pursuant to the Ordinance must be made under protest. The Servicer must send the City of Chicago a letter or other written communication noting that FHFA has determined the registration fee does not apply to Freddie Mac and that payment of the registration fee is therefore made under protest. The written communication should be sent with each registration payment or, if the payment is made electronically or it is otherwise impractical to send the communication with the registration payment, it should be sent contemporaneously with the payment.

MEDIATION FEE CODES

We have updated the Guide and the Reimbursement System to provide two new expense codes that Servicers may use to claim reimbursement for fees and court costs that they may incur as a result of pre-foreclosure mediation required by State or local law:

- Expense code 010004 for mediation fees charged by a mediation manager
- Expense code 010005 for attorney fees and court costs resulting from the mediation process

Servicers must obtain Freddie Mac's written pre-approval through the Reimbursement System for pre-foreclosure mediation expenses in order to obtain reimbursement.

Section 71.19, *Reimbursement of Fees and Costs Incurred during Legal Proceedings*, and Exhibit 74 have been updated to reflect these changes.

DECLINING APPLICATIONS FOR MORTGAGE ASSUMPTIONS

We have eliminated the requirement for Servicers to obtain prior consent from Freddie Mac to decline an application for a Mortgage assumption. If the application for a Mortgage assumption is declined, the Servicer must continue to provide an adverse action notice to all applicable parties, or any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local law.

Section 60.10, *Declination of the Application*, and Directory 5 have been updated to reflect this change.

DEFICIENCY FROM SHORT PAYOFFS AND DEEDS-IN-LIEU OF FORECLOSURE

We have updated the Guide to reinforce the requirement that the Servicer, for itself and on behalf of Freddie Mac, must waive all rights to pursue payment of the remaining balance owed by the Borrower under a Freddie Mac-owned Mortgage for all approved short payoffs and deed-in-lieu of foreclosure transactions that have closed in accordance with the Guide and applicable law.

Sections B65.41, *Closing, Reporting and Remittance Requirements*, and B65.48, *Closing, Reporting and Remittance Requirements*, have been updated to reflect this additional information.

GUIDE UPDATES

Exhibit 83, *Freddie Mac State Foreclosure Time Lines – In Calendar Days*

Based on Servicer feedback, we have reposted the version of Exhibit 83 that provides the State foreclosure time lines for Mortgages referred to foreclosure prior to October 1, 2011.

We have also updated the current version of Exhibit 83 to specify that it provides the State foreclosure time lines for Mortgages referred to foreclosure on or after October 1, 2011.

Retirement of Forms 104SF and 104DC

Due to the retirement of the Online Reimbursement System previously communicated in Bulletin 2011-1, we have retired the following forms, effective immediately:

- Form 104SF, *Statement of Loan, Workout and REO Expenses and Income*
- Form 104DC, *Designated Counsel/Trustee*

Servicers are reminded that all reimbursement claims must be submitted through the Reimbursement System through a 104SF claim or a 104DC claim.

Section 70.16, *Property Insurance*, has been updated to reflect this change.

Exhibit 51 update

We have updated Exhibit 51, *Credit Repositories and Information to Report*, to reflect current contact information for Innovis.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 60, B65, 70 and 71
- Form 104SF
- Exhibits 51, 57, 59, 74 and 83
- 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 and select “Servicing.”

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2012-6

TO: Freddie Mac Sellers February 29, 2012

SUBJECT: FREDDIE MAC IMPLEMENTATION OF 10 BASIS POINTS GUARANTEE FEE INCREASE SUPPORTING THE TEMPORARY PAYROLL TAX CUT CONTINUATION ACT OF 2011

In *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2011-26, Freddie Mac announced that effective for Mortgages with Settlement Dates on or after **April 1, 2012**, we will implement a 10 basis point increase in Required Spreads for all products and will make a commensurate change in our Cash program pricing.

With this Bulletin, we are implementing the changes announced in Bulletin 2011-26.

BACKGROUND

By directive dated December 29, 2011, the Federal Housing Finance Agency, pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011, Section 401, directed Freddie Mac and Fannie Mae ("GSEs") to increase guarantee fees ("gfees") charged by each of the GSEs by 10 basis points on all mortgages delivered for inclusion into single-family mortgage-backed securities pools.

GUARANTEE FEE ADD-ON AND NEW EXHIBIT 19RS, *REQUIRED SPREAD ADD-ON*

The 10 basis point increase in Required Spreads applies to all Required Spreads for Mortgages sold under the Guarantor and MultiLender Swap programs, including Required Spreads that are specifically stated in the Seller's Master Commitments, Required Spreads that are subject to other add-ons or adjustments and Required Spreads that are determined based on a calculation or methodology stated in the Seller's Master Commitments.

For Mortgages sold through the Freddie Mac Selling System ("Selling System"), the 10 basis point increase is being implemented through the use of the Selling System's Gfee Add-On functionality. Freddie Mac has created new Guide Exhibit 19RS, *Required Spread Add-On*, identifying the 10 basis point increase as the "Payroll Tax Cut Act Gfee Add-On."

In addition, we have made a commensurate change in the pricing Sellers receive for Mortgages sold under our Cash program.

For all other delivery paths and executions, the 10 basis point increase will be reflected in the pricing provided to Sellers for Mortgages with Settlement Dates on or after April 1, 2012.

Guide Section 12.3, *Terms of Master Agreements and Master Commitments*, has been updated to refer to new Exhibit 19RS.

MAXIMUM BUYUP AND BUYDOWN PROVISIONS

The Required Spread increase does not have any impact on any maximum buyup amounts stated in Master Commitments. However, if a Master Commitment contains a provision that states a Required Spread (the "Maximum Required Spread") from which the Seller can calculate the maximum buyup amount, the Maximum Required Spread is increased by 10 basis points. In addition, if the Master Commitment contains a provision stating a maximum buyup value (i.e., the amount to which the Seller can buyup the Required Spread), the maximum buyup value is increased by 10 basis points. At a future date, Freddie Mac will amend Master Commitments to reflect the applicable changes.

There are no changes to the maximum buydown provisions as a result of this Required Spread increase.

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 "Delivery."

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Bulletin

NUMBER: 2012-7

TO: Freddie Mac Servicers March 13, 2012

SUBJECTS

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

- Revising the definition of a Real Estate Owned (REO) rollback
- Announcing Freddie Mac Servicer Success Rewards and Remedies, a component of the Servicing Success Program
- Providing additional information regarding Freddie Mac Servicer Success File Review requirements
- Notifying Servicers of changes to three default management criteria on the Servicer Success Scorecard

REO ROLLBACK

Effective immediately

We are updating the Guide to revise the definition of an REO rollback to include additional circumstances beyond bankruptcy petition filings. We are also updating the Guide to provide that Servicers must communicate an REO rollback through a new, consolidated REO Rollback Request mailbox.

Servicers must review the revised REO rollback definition in Guide Section 66.56, *Reporting Foreclosure Sale Results*, take the necessary actions to prevent errors that generate REO rollbacks, and notify Freddie Mac within one Business Day when an REO rollback is necessary, as specified in the Guide.

Section 66.56 and Directory 5 have been updated to reflect these changes.

SERVICER SUCCESS REWARDS AND REMEDIES

In Bulletin 2011-13 and subsequent communications, we announced that we were developing Freddie Mac Servicer Success Rewards and Remedies, a component of our Servicing Success Program. With this Bulletin, we are announcing new remedies and revisions to existing remedies to reflect our continuing focus on quality Servicing. Specifically, we are instituting new compensatory fees, as well as changes to existing fees, to encourage Servicers to improve performance in several areas of data quality and data reporting to Freddie Mac.

We are also adding new Guide Exhibit 96, *Servicing Incentives and Compensatory Fees*, to aid Servicers in locating compensatory fees assessed and incentives paid in accordance with Guide requirements.

We continue to work on other aspects of the Rewards and Remedies component of the Servicing Success Program to incent exceptional Servicing performance, and we will announce updates in future Bulletins.

Remedies

The following remedies, which are in addition to any other Freddie Mac remedies specified in the Guide and the Seller/Servicer's other Purchase Documents, are designed to recover costs incurred by Freddie Mac as a result of a Servicer's non-compliance with Freddie Mac's requirements for Servicing Mortgages.

Research and reconstruction

Effective June 1, 2012

We are revising the fee charged for researching or reconstructing Servicer records from $100 per Mortgage to an hourly rate of $76 per staff person or the actual costs, if a third party is engaged, to fulfill the Servicer's request. Servicers are required to maintain accurate files and records, and if a Servicer requests Freddie Mac's assistance in researching and reconstructing records, Freddie Mac will assess this fee to recover the costs incurred in providing this service.

Section 78.51, *Contract Noncompliance and Contract Change Compensatory Fees,* has been amended to reflect this change.

REO rollback

Effective June 1, 2012

We are adding a **new** compensatory fee of $1,000, which will be assessed per occurrence when Freddie Mac must process an REO rollback in accordance with Section 66.56(a)(2). This compensatory fee is designed to recover the labor and other costs Freddie Mac incurs to correct this serious violation in a timely manner.

Section 66.56, *Reporting Foreclosure Sale Results*, has been amended to reflect this new compensatory fee.

Reporting noncompliance (all loans)

Effective September 1, 2012

Freddie Mac is increasing the compensatory fees assessed when a Servicer fails to report on at least 75% of the Freddie Mac Mortgages it services by the 5th business day after the accounting cycle cutoff as follows:

IF the noncompliance violation within a consecutive 12-month period is the Servicer's...	THEN the noncompliance compensatory fee is...	AND the Servicer...
First violation	$5,000 (previously $250)	
Second violation	$10,000 (previously $550)	May be required to attend a reporting training seminar at the Servicer's expense
Third violation or more	$15,000 (previously $1,000)	

These revised compensatory fees can be found in new Section 78.47.1, *Reporting Noncompliance Compensatory Fees – All Loans*.

Section 76.12, *Reporting Media*, has also been updated to reference the new section.

Reporting noncompliance (non-performing loans)

Effective September 1, 2012

The current compensatory fees assessed for reporting noncompliance for non-performing loans will be moved to new Section 78.47.2, *Non-Performing Loan Reporting Noncompliance Compensatory Fees*.

Section 64.10.1, *Compensatory Fees for Failure to Report via EDR*, and Section 76.12 have also been updated to reference the new section.

SERVICER SUCCESS FILE REVIEW

Effective immediately

We are revising the Guide to specify that once Freddie Mac has completed a File Review and provided written conclusions, submission of requested file documentation that the Servicer initially failed to provide does not constitute an appeal. Servicers are reminded that they must submit all documentation for a File Review by the date specified in the initial file request. Servicers continue to have an opportunity to appeal Freddie Mac's written conclusions upon completion of the File Review.

Servicers are further reminded that Freddie Mac's decision on the File Review shall be deemed conclusive and may be considered a factor in determining a Servicer's overall performance in accordance with Section 51.11, *Servicer Performance Criteria*.

Section 51.9.1, *Freddie Mac Servicer Success File Reviews*, has been updated with this information.

SERVICER SUCCESS SCORECARD

When we implement the next enhancements to the Servicing Success Program, we will treat Standard Modification Mortgages in the same manner as Home Affordable Modification Program Mortgages in the following three default management criteria:

- **D60+ Workout to D60+ Inventory**

  The new calculation includes Standard Modification Trial Period Plans in the workout volume, but excludes them from the D60+ inventory. This revised calculation credits the Servicer when a loan undergoing a Standard Modification enters the Trial Period, and again if the Borrower successfully completes the Trial Period and the modification becomes permanent.

- **Early Collections Roll Rate**

  Standard Modification Trial Period Plans are excluded from the calculation.

- **Late Collections Roll Rate**

  Standard Modification Trial Period Plans are excluded from the calculation.

The implementation time frame for the Servicing Success Program enhancements that were announced in Bulletin 2011-20 has been revised. Servicers will be notified when the enhancements have been implemented.

Servicers are reminded to refer to the performance criteria, weightings and ranking information published monthly in the Servicer Success Scorecard at **http://www.freddiemac.com/singlefamily/service/tools.html**.

In addition, the Freddie Mac Servicing Success Program Reference Guide is available at **http://www.freddiemac.com/learn/service/spp.html**.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 51, 55, 64, 65, 66, 76 and 78
- Exhibit 96
- 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 and select “Servicing.”

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Bulletin

NUMBER: 2012-8

TO: Freddie Mac Sellers March 15, 2012

SUBJECTS

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

Mortgage eligibility and credit underwriting

- Updating our requirements for Borrower Funds
- Revising our requirements for the use of Mortgage Credit Certificates (MCCs) for Borrower qualification

Form 16SF and Form 1107SF

- Revising Guide Form 16SF, *Annual Eligibility Certification*, and Form 1107SF, *Seller/Servicer Change Notification Form*

Certification requirements – Form 1034A

- Eliminating the requirement for Document Custodians to certify the "1st Adj Max Initial Rate" and "1st Adj Min Initial Rate" fields on Form 1034A, *ARM Custodial Certification Schedule*

Delivery requirements

- Updating Guide Section A17.7, *Loan Data Required for All Mortgages*, to provide additional delivery instructions with regard to completion of the *Party Role Identifier* Uniform Loan Delivery Dataset (ULDD) Data Points for "Loan Origination Company" and "Loan Originator"
- Updating the Guide to clarify that refinance Mortgages originated under the Home Affordable Refinance Program (HARP) (HARP Mortgages) with loan-to-value (LTV) ratios greater than 105% are not included in the calculation of the 10% unpaid principal balance (UPB) limitation for delivery of super conforming Mortgages under fixed-rate Cash Contracts

Additional Guide updates

In addition, we have revised the Guide to:

- Provide updates to Guide Exhibit 19, *Postsettlement Delivery Fees*
- Remove references to the Office of Thrift Supervision (OTS) as the OTS no longer exists

EFFECTIVE DATE

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

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Borrower Funds – Effective for Mortgages with Settlement Dates on or after August 1, 2012

We are updating our requirements for Borrower Funds including, but not limited to, the following:

- Reclassifying and standardizing terminology for Borrower Funds throughout the Guide
- Defining and providing eligibility requirements for Borrower Personal Funds and Other Borrower Funds
- Revising our requirements to permit net proceeds of the trade-in of the Borrower's previously owned residence (trade equity) and prior rental payments made by the Borrower credited toward the purchase price of the subject property (rent credits) to be used as Borrower Personal Funds on all Mortgages
- Requiring that cash-out proceeds from the subject refinance transaction not be used as reserves in the underwriting process

With these changes, we have reorganized Guide Chapter 26, previously titled "Cash and Other Equity" and now re-titled "Borrower Funds," to improve readability and eliminate redundancies. We have also updated other chapters of the Guide and the Glossary to reflect these changes.

Sellers should review the impacted chapters carefully to ensure they have an understanding of the new requirements.

Alt 97® Mortgages

Since most of the alternative sources of funds permitted for the Alt 97 Mortgage offering will now be permitted for all Mortgages, and Freddie Mac's maximum LTV, total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratio is 95%, the Alt 97 Mortgage offering is being retired.

Chapter D33, *Alt 97® Mortgages*, Section A17.20, *Alt 97® Mortgages*, and other applicable Guide chapters and exhibits have been updated to reflect the retirement of the Alt 97 Mortgage offering. With the retirement of Section A17.20, we have removed the ULDD delivery instructions for Alt 97 Mortgages from the Guide. At a future date, the *Appendix A Addendum* of the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD") will be updated to remove "Alt 97" from the list of valid values that appear for the ULDD Data Point *Loan Program Identifier*.

Loan Prospector® and the Freddie Mac Selling System ("Selling System") will be updated at a future date to reflect these changes.

Mortgage Credit Certificates (MCCs)

With this Bulletin, we are revising our requirements for the use of MCCs for Borrower qualification, including, but not limited to, removing the requirement that MCCs can be used only with Home Possible® Mortgages and requiring that the amount of the MCC tax credit be added to qualifying income, rather than deducted from the monthly housing expense.

We are also retiring Exhibit 21, *Mortgage Credit Certificate Worksheet*.

As a result of these changes, we are moving the requirements for MCCs from Chapter A34, *Home Possible® Mortgages*, to Section 37.13, *Stable Monthly Income and Asset Qualification Sources*. Sellers should review Chapter 37, *Underwriting the Borrower*, to ensure they have an understanding of the new requirements.

In addition, we have updated Section 17.13.1, *Home Possible® Mortgages*, to remove the special delivery instructions for Home Possible Mortgages with MCCs. We have also updated Chapter A17, *Mortgage Delivery Instructions*, to remove the special delivery instructions for Home Possible Mortgages with MCCs from Section A17.18, *Home Possible ® Mortgages*. At a future date, the *Appendix A Addendum* will be updated to reflect the ULDD delivery instructions change.

CHANGES TO FORMS 16SF AND 1107SF – EFFECTIVE APRIL 23, 2012

We are amending Form 16SF to require that Sellers (all depository customers using Warehouse Lenders and all non-depository customers) provide new organizational level information to Freddie Mac about their Warehouse Lending agreements and facilities, through their online submission of the form. We are also updating Form 1107SF to clarify that Sellers must submit this form whenever there is a change in one of their Warehouse Lender agreements or facilities, such as a new agreement or cancellation or termination of an agreement. See revised Section 4.11, *Changes in Seller/Servicer's Organization or Status Reporting*, for additional information about this reporting requirement.

As a reminder, Seller/Servicers may link to Form 16SF through AllRegs® and may also access a printable version of the most current version of Form 16SF with instructions on our web site at: **http://www.freddiemac.com/sell/forms/index.html**.

Form 1107SF, with instructions, is available on AllRegs and on our web site at: **http://www.freddiemac.com/sell/forms/index.html**.

Forms 16SF and 1107SF will be updated online on April 23, 2012.

CHANGES TO CERTIFICATION REQUIREMENTS – FORM 1034A

As announced in Bulletin 2012-3, the Selling System transition period (i.e., the period during which the Selling System will be updated with the new ULDD-named fields and layout) will begin on April 23, 2012.

As a result of the transition to ULDD-named fields, effective for ARMs with Settlement Dates on or after April 23, 2012, Freddie Mac will no longer require Document Custodians to certify the following fields on Form 1034A:

- 1st Adj Max Initial Rate
- 1st Adj Min Initial Rate

Document Custodians that certify ARMs against the legacy Form 1034A, should disregard these two fields (identified as the "1st Adj Max" and "1st Adj Min," respectively) effective for settlements on or after April 23, 2012.

We have updated Form 1034A and the Document Custody Procedures Handbook to reflect these changes. The updated handbook is available on AllRegs® and on our web site at: **http://www.freddiemac.com/cim/handbook.html**.

DELIVERY REQUIREMENTS

Loan Origination Company and Loan Originator

As required by the Federal Housing Finance Agency (FHFA) and incorporated into Freddie Mac's delivery requirements in Bulletins 2009-27, 2010-13 and 2011-4, Sellers must deliver the Loan Originator and Loan Origination Company identifiers to Freddie Mac.

With this Bulletin, we are updating Section A17.7 to provide additional instructions for completion of the *Party Role Identifier* ULDD Data Points for "Loan Origination Company" (Sort ID 627) and "Loan Originator" (Sort ID 634), as follows:

- Loan Origination Company: If a State-regulated Loan Origination Company does not have a National Mortgage Licensing System (NMLS) ID because they operate solely in:
  - Delaware, enter "1001"
  - Maine, enter "1002"
  - Missouri, enter "1003"
- Loan Originator: If a loan officer is exempt from obtaining or is not required to obtain a Loan Originator identifier through the NMLS, enter "1000"

At a future date, the *Appendix A Addendum* will be updated to reflect these instructions.

Note that these same instructions apply to completion of the "Loan Origination Company" and "Loan Originator" fields on Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*.

Fixed-rate super conforming Mortgage Cash Contracts

The Guide provides that super conforming Mortgages delivered under fixed-rate Cash Contracts during any month must not exceed the greater of: (i) $2 million in aggregate, or (ii) 10% of the UPB of each particular Mortgage product delivered by the Seller under fixed-rate Cash Contracts during such month.

We have updated Sections 17.44, *Super Conforming Mortgages*, and A17.39, *Super Conforming Mortgages*, to clarify that HARP Mortgages with LTV ratios greater than 105% are not included in the calculation of the 10% UPB limitation.

ADDITIONAL GUIDE UPDATES

Exhibit 19 updates

Exhibit 19 has been updated to reflect the retirement of the Alt 97 Mortgage offering effective August 1, 2012. Additionally, we have removed the reference to the Relief Refinance Mortgage^{SM} reduced term incentive and the Relief Refinance Mortgage Delivery Fee Cap grid that were effective for settlements on or before January 2, 2012.

Deletion of OTS references

Supervisory responsibility for federal savings associations transferred to the Office of the Comptroller of the Currency on July 21, 2011. We have updated Section 18.2, *Document Custodian Eligibility*, and Form 1107SF to delete references to OTS.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters 4, 17, A17, 18, 23, 25, 26, 32, D33, F33, H33, L33, A34, 37 and 46
- Forms 16SF, 900, 1034A and 1107SF
- Exhibits 17S, 19, 21 and 34B
- 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,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
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Bulletin

NUMBER: 2012-9

TO: Freddie Mac Servicers April 17, 2012

SUBJECT: COMMUNICATION TIME LINES FOR SHORT SALES

With this *Single-Family Seller/Servicer Guid*e ("Guide") Bulletin, we are clarifying certain existing requirements and adding new minimum requirements regarding communication time lines for Home Affordable Foreclosure Alternatives (HAFA) Short Sales and short payoffs (aka short sales) processed in accordance with the requirements of Guide Chapter B65, *Workout Options*. Borrower communication and decision time lines are critical elements of the short sale process, and as such, these clarifications of, and revisions to, our Borrower communication time line requirements should allow more efficient processing of short sale requests.

The new requirements introduce specific response time frames for certain activities in the short sale process and leverage existing communication and response time frames we have implemented as part of the Servicing Alignment Initiative (SAI). When a home retention option is no longer a viable solution to Delinquency, it is important to utilize liquidation options, including short sales, as valuable foreclosure avoidance solutions. Improved communication methods will enhance the effectiveness of these options.

Effective for **new evaluations conducted on or after June 15, 2012**, Servicers must comply with the following minimum communication time frames for all short sales. If feasible, Servicers are encouraged to implement these changes prior to the effective date of June 15, 2012. Servicers must also continue to comply with the evaluation hierarchy and solicitation requirements set forth in Guide Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, and all other requirements for HAFA Short Sales and Chapter B65 short sales that are not specifically revised by this Bulletin.

HAFA SHORT SALES

HAFA: Borrower Response Package (BRP) received	
Days after receipt of BRP	**Action required**
3 Business Days	Servicer must acknowledge to the Borrower its receipt of the BRP in accordance with the requirements of Section 64.6(d)(3)
5 Business Days	If Servicer has received an incomplete BRP, the Servicer must notify the Borrower of missing information and documentation in accordance with the requirements of Section 64.6(d)(4)

Days after receipt of BRP	Action required
30 days (no later than 60 days)	Within five days of an evaluation decision, but no later than 30 days following receipt of a complete BRP, the Servicer must provide to the Borrower an evaluation decision and send the appropriate Borrower Evaluation Notice in accordance with Section 64.6(d)(5). The Servicer, in compliance with the evaluation hierarchy, may only consider the Borrower for HAFA after a determination that the Borrower is ineligible for or unwilling to accept any home retention option, including a Freddie Mac Standard Modification ("Standard Modification") as prescribed in Section 64.6(a). There may be some situations in which a Servicer will be unable to provide a decision within 30 days following receipt of a complete BRP (e.g., extended negotiations with the MI). In such cases, the Servicer must notify the Borrower within the 30 day time limit that the BRP is still under review and each week thereafter provide the Borrower a status update indicating the reason(s) why a decision is pending. The weekly status updates may be communicated verbally or in writing. However, the Servicer must provide the Borrower with a decision and send the appropriate Borrower Evaluation Notice no later than 60 days after receipt of a complete BRP.

HAFA: Submission of Form 1135, [*HAFA] Short Sale Agreement,* (SSA)

Borrower response to short sale offer

Once the Servicer has extended a HAFA Short Sale offer to the Borrower via an SSA/Borrower Evaluation Notice for a HAFA Short Sale, the Borrower must submit an executed SSA to the Servicer within 14 days of the date of the Borrower Evaluation Notice.

SSA extensions

If an acceptable purchase offer has not been received prior to the SSA expiration date, the Servicer may submit a recommendation to Freddie Mac to extend the SSA if:

(i) The Borrower has fully complied with the SSA and the Borrower was not the cause of the failure of the Mortgaged Premises to sell, and

(ii) An offer that meets the minimum acceptable net proceeds requirement is forthcoming

The extension recommendation must be submitted at least 15 days prior to the expiration of the SSA in accordance with the requirements of Section D65.5, *HAFA Short Sale*, to **HAFA@freddiemac.com** via e-mail with the subject line "Request for Extension of SSA." If Freddie Mac approves the extension, the Servicer may extend the SSA for an additional 10 days and must prepare a written extension agreement in accordance with Freddie Mac's instructions.

HAFA: Submission of Form 1136, [*HAFA] Request for Approval of Short Sale,* (RASS) and Servicer decision

Days	Action required
3 Business Days	Borrower must submit an executed RASS and its required attachments in accordance with Section D65.5(e) to the Servicer within three Business Days of receiving a purchase offer

Days	Action required
10 Business Days	Servicer must respond to the Borrower with a decision, in accordance with the requirements set forth in Section D65.5(f), within 10 Business Days of receipt of an executed RASS: ■ If the purchase offer meets the minimum acceptable net proceeds (MANP) and otherwise complies with the SSA, then the Servicer must indicate approval via the Form 1137, *[HAFA] Approval of Short Sale* ■ If the purchase offer is less than the MANP or does not otherwise comply with the SSA, the Servicer must deny the offer, and send to the Borrower a counteroffer in the completed Form 1138, *[HAFA] Disapproval of Short Sale*
HAFA: Counteroffers (if purchase offer is less than MANP)	
Days	**Action required**
5 Business Days	Borrower must respond to the Servicer's counteroffer within five Business Days of the date the completed Form 1138 is received
10 Business Days	Servicer must respond to the Borrower within 10 Business Days of receipt of the Borrower's response to the counteroffer

CHAPTER B65 SHORT SALES

Chapter B65 short sale: Borrower Response Package (BRP) received	
Days after receipt of BRP	**Action required**
3 Business Days	Servicer must acknowledge to the Borrower its receipt of the BRP within three Business Days in accordance with the requirements of Section 64.6(d)(3)
5 Business Days	If Servicer has received an incomplete BRP, the Servicer must notify the Borrower within five Business Days of missing information and documentation in accordance with the requirements of Section 64.6(d)(4)
30 days	Within five days of Freddie Mac's evaluation decision, but no later than 30 days following receipt of a complete BRP, Servicer must provide a decision to the Borrower and send the appropriate Borrower Evaluation Notice in accordance with Section 64.6(d)(5). The Servicer, in compliance with the evaluation hierarchy, may only consider the Borrower for a Chapter B65 short sale after a determination that the Borrower is ineligible for or unwilling to accept any home retention option, including a Standard Modification or a HAFA Short Sale as prescribed in Section 64.6(a). If the Borrower submits a purchase offer without previously submitting a BRP, the Servicer must not consider the purchase offer until it has received a complete BRP and evaluated the Borrower in compliance with the evaluation hierarchy set forth in Section 64.6(a).

Chapter B65 short sale: Submission of purchase offer and Servicer decision	
Days	**Action required**
3 Business Days	Servicer must acknowledge receipt of the purchase offer within three Business Days
5 Business Days	If the purchase offer is submitted with insufficient information, the Servicer must notify the Borrower of the information needed to evaluate the offer within five Business Days of receipt of the offer
30 days (no later than 60 days)	Servicer must respond to the Borrower with Freddie Mac's decision within 30 days of receipt of the purchase offer. Servicer must submit a short sale recommendation in accordance with the requirements of Section B65.38, *Submitting a Short Payoff Recommendation to Freddie Mac or Notifying Freddie Mac of a Make-Whole Preforeclosure Sale*, and provide Freddie Mac sufficient time to review and respond so that the Servicer will communicate a decision within the required 30 days. If the purchase offer does not meet Freddie Mac's MANP threshold, and is denied by Freddie Mac, the Servicer must notify the Borrower and include Freddie Mac's counteroffer in its response. There may be some situations in which a Servicer will be unable to provide a decision within 30 days following receipt of a purchase offer (e.g., extended negotiations with the MI). In such cases, the Servicer must notify the Borrower within the 30 day time limit that the purchase offer is still under review and each week thereafter provide the Borrower a status update indicating the reason(s) why a decision is pending. The weekly status updates may be communicated verbally or in writing. However, the Servicer must provide the Borrower with a decision no later than 60 days after receipt of a purchase offer. Note: In the event that a Borrower has submitted a complete BRP and a purchase offer simultaneously, the response period for evaluating both the complete BRP and the purchase offer is the same as outlined in this section (i.e., provide a decision within 30 days but no later than 60 days following receipt of purchase offer and BRP).
Chapter B65 short sale: Counteroffers (if purchase offer is less than MANP)	
Days	**Action required**
5 Business Days	Borrower must respond to the Servicer's counteroffer within five Business Days of the date the counteroffer is received
10 Business Days	Servicer must respond to the Borrower within 10 Business Days of receipt of the Borrower's response to the counteroffer

The Servicer must maintain documentation of all communications to the Borrower, whether verbal or written, and including status updates, either in the Mortgage file or in the Servicer's servicing system.

Chapters B65, D65, *Home Affordable Foreclosure Alternatives*, and other applicable Guide chapters will be updated in a future Bulletin to reflect these changes.

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

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Bulletin

NUMBER: 2012-10

TO: Freddie Mac Servicers April 23, 2012

SUBJECTS

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

State Housing Finance Agencies ("HFAs") mortgage assistance programs

- Providing requirements for Servicer participation in transition assistance programs offered by HFAs and funded by Treasury's Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund ("HHF")
- Consolidating all requirements related to Servicer participation in HFA mortgage assistance programs into new Guide Section 64.12, *Hardest Hit Fund*

Freddie Mac Standard Modification interest rate

- Requiring Servicers to refer to our web site at: **http://www.freddiemac.com/singlefamily/service/standardmodrate.html** for the interest rate that Servicers must use to calculate the terms of the Trial Period Plan and the modification
- Adjusting the interest rate required to calculate the terms of the Trial Period Plan and the modification

HAMP and HAFA initiative

- Extending our Home Affordable Modification Program (HAMP) and Home Affordable Foreclosure Alternatives (HAFA) initiative through December 31, 2013
- Revising our HAMP eligibility requirements for a permanent modification to exclude Mortgages subject to full recourse or indemnification agreements

Additional Guide updates

In addition, we are:

- Correcting an e-mail address in Directory 5
- Revising Guide Form 105, *Multipurpose Loan Servicing Transmittal*, to make the form fillable

EFFECTIVE DATE

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

HFAs MORTGAGE ASSISTANCE PROGRAMS

Transition assistance programs

Effective immediately, for Freddie Mac-owned or guaranteed Mortgages, Servicers must participate in HHF transition assistance programs offered by HFAs to assist Borrowers in completing a short sale or deed-in-lieu of foreclosure (DIL) transaction and/or assist with relocation expenses, provided that HFA program parameters do not conflict with Freddie Mac's short payoff (also known as short sale), DIL or other requirements. Servicers must also continue to comply with the general requirements outlined for all HHF programs as referenced in Section 64.12(a).

If HHF funds will be applied to subordinate lien balances, such funds must be applied prior to application of amounts Freddie Mac permits to be paid on subordinate lien balances pursuant to the Guide and the Servicer's other Purchase Documents, as applicable. Further, the HFA may provide payments to subordinate lien holders that equal or exceed the maximum amount Freddie Mac permits to be paid to subordinate lien holders; however, in such cases, the Servicer **must not** apply any Freddie Mac funds to subordinate lien balances. If total HFA funds applied to subordinate lien balances are less than the maximum amount Freddie Mac permits to be paid to a subordinate lien holder, the Servicer may apply Freddie Mac funds toward the difference up to the maximum amount permitted by Freddie Mac requirements.

A Borrower who receives HHF funds to assist with relocation expenses (e.g., moving costs, deposits, etc.) may also receive any similar payment permitted by Freddie Mac requirements, if eligible.

In addition to reporting a short sale or DIL in accordance with Chapters B65, *Workout Options*, and D65, *Home Affordable Foreclosure Alternatives*, Servicers must report a list of all Mortgages for which transition assistance was provided for the prior month by sending the *Spreadsheet for Hardest Hit Fund Mortgages* to **Hardest_Hit@freddiemac.com** by the fifth Business Day of every month. An updated template of the spreadsheet is available at **www.FreddieMac.com/singlefamily/service/hfa_relief.html**.

Servicers must also continue to send the spreadsheet for all Mortgages receiving assistance through other HFA programs referenced in Section 64.12.

Consolidated HFA mortgage assistance requirements

In Bulletins 2010-25, 2011-5 and 2011-24, we provided requirements for Servicer interaction with HFAs in connection with mortgage assistance programs. For ease of reference, we have consolidated all HHF-related requirements, including the requirements pertaining to a Servicer's participation in transition assistance programs announced in this Bulletin, into Section 64.12.

Additionally, in connection with all HFA mortgage assistance programs, we would like to remind Servicers that when communicating the postponement request for a pending foreclosure sale to foreclosure counsel, the Servicer must identify the reason for the postponement (i.e., HFA mortgage assistance). Further, if the initial 45 day postponement must be extended, Servicers must continue to communicate with foreclosure counsel on a regular basis regarding the status of HFA assistance.

STANDARD MODIFICATION INTEREST RATE

In Bulletin 2011-16 we provided requirements regarding determination of terms for the Standard Modification, including setting the interest rate for the modified Mortgage to a rate which is determined by Freddie Mac in accordance with market conditions. Freddie Mac reserves the right to adjust the interest rate from time to time.

Beginning today, we will post the required interest rate on our web site at: **http://www.freddiemac.com/singlefamily/service/standardmodrate.html**. Currently this rate is 5%. Servicers must refer to this web page each time they evaluate a Borrower for a Standard Modification Trial Period Plan to ensure that they are using the most current interest rate in effect on that date. Additionally, the interest rate that is used for the final modification must be the same interest rate used to evaluate the Borrower for a Trial Period Plan.

Freddie Mac will adjust the interest rate for new Trial Period Plan evaluations conducted on or after **July 1, 2012**. This new rate will be posted on our web page beginning June 1, 2012 to allow Servicers time to incorporate the new rate into their processes. Servicers are strongly encouraged to implement the new interest rate earlier than July 1, 2012 for new Trial Period Plan evaluations.

Section B65.18, *Determining the Terms of a Freddie Mac Standard Modification*, has been updated to reflect this change.

HAMP AND HAFA INITIATIVE

HAMP and HAFA initiative extension

On March 9, 2012, Treasury issued Supplemental Directive 12-02 ("Making Home Affordable Program – MHA Extension and Expansion") for servicers of non-Government Sponsored Enterprise (non-GSE) mortgages. Among other changes, the Supplemental Directive extended HAMP and HAFA through December 31, 2013. The Supplemental Directive also revised the requirements that must be met by the program expiration date in order for a borrower to be eligible to be evaluated for the respective programs.

With this Bulletin, we are extending our HAMP and HAFA requirements through December 31, 2013 for all Freddie Mac-owned or guaranteed Mortgages. We will announce additional details related to this extension and update applicable Guide chapters to reflect the changes in a future Bulletin.

HAMP eligibility – Mortgages subject to recourse exclusion

Effective for new Borrower evaluations for HAMP on and after July 1, 2012

We are revising our HAMP eligibility requirements for a permanent modification to exclude Mortgages subject to full recourse or indemnification agreements, effective for new Borrower evaluations on or after July 1, 2012.

We encourage Servicers to consider such Mortgages for the non–GSE HAMP. In the event the Borrower is ineligible for the non-GSE HAMP program or the Servicer is not participating in Treasury's non-GSE HAMP program, we encourage the Servicer to consider the Borrower for its proprietary modification program. When considering a Borrower for either the non-GSE HAMP or its proprietary modification program, the Servicer must ensure that:

- The Borrower is either (i) 60 or more days delinquent or (ii) in imminent default under Freddie Mac's imminent default requirements; and
- The Borrower is eligible for a non-GSE HAMP trial period plan or the Servicer's proprietary modification

If a Servicer enters into a non-GSE HAMP trial period plan or otherwise will enter into a proprietary modification, the Servicer must repurchase the Mortgage in accordance with Chapter 72, *Repurchases*, prior to the first modified payment due date.

Servicers may refer to Section 11.10, *Election to Sell with or without Recourse*, for additional information with respect to Mortgages with recourse.

Sections C65.4 and C65.8, *Other General Requirements*, have been revised to reflect this change.

ADDITIONAL GUIDE UPDATES

Directory 5

We have updated Directory 5 to correct the e-mail address for the submission of liquidation documents that are provided in Section B65.41(a).

Form 105

We have revised Form 105 to make it a fillable form for Servicer convenience.

UPDATED FORMS 16SF AND 1107SF

Effective April 23, 2012

As announced in Bulletin 2012-8, we have revised Forms 16SF and 1107SF. Form 16SF has been amended to require that Sellers provide new organizational level information to Freddie Mac about their Warehouse Lending agreements and facilities. Form 1107SF has been updated to clarify that Sellers must submit this form whenever there is a change in one of their Warehouse Lender agreements or facilities, such as a new agreement or cancellation or termination of an agreement.

As a reminder, Seller/Servicers may link to Form 16SF through AllRegs® and may also access a printable version of Form 16SF with instructions on our web site at:
http://www.freddiemac.com/sell/forms/index.html.

Form 1107SF, with instructions, is available on AllRegs and on our web site at:
http://www.freddiemac.com/sell/forms/index.html.

Forms 16SF and 1107SF will be updated online on April 23, 2012.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 64, B65 and C65
- Form 105
- 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 and select "Servicing."

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

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Bulletin

NUMBER: 2012-11

TO: Freddie Mac Sellers May 15, 2012

SUBJECTS

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

- Permitting federally regulated Sellers to conduct Electronic Transactions using electronic versions of certain loan documents in the initial loan origination process
- Updating our Social Security number validation requirements for the Seller's in-house quality control program
- Updating our requirements for use of third-party employment and/or income verification services
- As previously announced, for Relief Refinance Mortgages℠, we are:
  - Until further notice, reducing the cash adjustor value from 50 basis points (bps) to zero bps for Relief Refinance Mortgages sold under fixed-rate Cash with loan-to-value (LTV) ratios greater than 125%.
  - Revising the Guide to reflect the removal of the cash adjustor for Relief Refinance Mortgages sold under fixed-rate Cash with LTV ratios greater than 105% and less than or equal to 125%
  - Updating the Guide to reflect the removal of the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Guarantor for Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80% and Relief Refinance Mortgages – Open Access as announced in Bulletin 2011-22
  - Adding language to the Guide to reflect that, as announced in previous Bulletins, Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access with LTV ratios less than or equal to 105% are eligible for sale under the fixed-rate Cash program using the Servicing Released Sales Process Servicing option
- Introducing a new provision that entitles Freddie Mac to recapture premiums and buyups associated with Mortgages that are paid off within 120 days of their sale to Freddie Mac
- Removing the requirement that ARMs sold to Freddie Mac have a Note Rate, Margin and Lifetime Ceiling that are divisible by one-eighth of 1%
- Prohibiting the sale of Mortgages that are encumbered by certain private transfer fee covenants
- Announcing Freddie Mac will no longer purchase Mortgages originated on Fannie Mae balloon documents

In addition:

- Regarding Counterparty Authorization (CPA) compliance, we are:
  - Notifying Sellers that we will be contacting customers with CPA compliant accounts for resubmission of outdated CPA compliance forms

- Updating our CPA compliance forms and wire transfer authorization forms to provide clearer instructions and layout

- As announced in our Single-Family Update e-mail on April 10, 2012, an updated version of Appendix D, *UAD Field-Specific Standardization Requirements*, of the Uniform Appraisal Dataset (UAD) Specification ("Appendix D") was posted on **FreddieMac.com**.

EFFECTIVE DATE

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

ELECTRONIC TRANSACTIONS

Effective immediately, federally regulated Sellers are permitted to conduct Electronic Transactions using electronic versions of certain loan documents in the initial loan origination process. The initial loan origination documents eligible for Electronic Transactions are listed in new Guide Exhibit 7, *Electronic Initial Loan Documents*.

Sellers must still obtain a negotiated term of business in order to sell electronic Mortgages ("eMortgages") to Freddie Mac.

Sellers must comply with the requirements of new Guide Chapter 3, *Special Requirements for Electronic Transactions*, which consolidates our existing requirements in Guide Section 1.3, *Acknowledgment and Consent to Electronic Transactions*, and other references to electronic documents and Electronic Transactions throughout the Guide. Section 1.3 will remain in the Guide only as a cross-reference to Chapter 3.

Sellers with a negotiated term of business that permits them to sell Mortgages to Freddie Mac that were originated using electronic versions of loan documents in the initial origination process may continue to sell Mortgages to Freddie Mac under that term of business until the expiration of their negotiated term.

SOCIAL SECURITY NUMBER VALIDATION

We are updating our requirements for Social Security number validation during the Seller's in-house quality control review to state that in certain circumstances, the Seller is not required to validate each Borrower's Social Security number during the postclosing quality control review.

We have revised Sections 48.5, *Reverifications Made by Seller*, and Section 48.8, *Preclosing Quality Control Reviews*, to reflect this change.

THIRD-PARTY EMPLOYMENT AND/OR INCOME VERIFICATION SERVICES

We have removed the specific list of acceptable third-party employment and income verification service providers from the Guide; however, Sellers may continue to use third-party service providers for the purposes of verifying employment and/or income. All income and employment verifications must meet the requirements of the Guide.

Sellers remain responsible for the accuracy and integrity of all information provided. Sellers are encouraged to maintain procedures and process controls to ensure the quality of services used and products provided are acceptable.

Refer to Section 37.20, *General Requirements for Verifying Documents*, for complete information.

With this change, we have deleted Exhibit 24, *Third-Party Verification Services*.

RELIEF REFINANCE MORTGAGES

Cash adjustor updates

As announced in a Single-Family Update e-mail on May 9, 2012, effective for commitments taken out on or after May 15, 2012, and until further notice, the cash adjustor value is reduced to zero bps for Relief Refinance Mortgages sold under fixed-rate Cash with LTV ratios greater than 125%. Sellers will be provided written notification in advance of any future changes to the cash adjustor value.

As announced in our Single-Family Update e-mail on March 30, 2012, for Relief Refinance Mortgages sold under fixed-rate Cash commitments taken out on or after April 1, 2012, we no longer apply the cash adjustor for Mortgages with LTV ratios greater than 105% and less than or equal to 125%.

Sections A24.5, *Postsettlement Delivery Fees and Other Assessments and Credits*, and B24.5, *Postsettlement Delivery Fees and Other Assessments and Credits*, have been updated to reflect these changes.

Guide updates for Mortgages sold under fixed-rate Guarantor with LTV ratios greater than 125%

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after June 1, 2012

As announced in Bulletin 2011-22, we have removed the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Guarantor for Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80% and Relief Refinance Mortgages – Open Access. The 105% maximum LTV ratio for ARMs will remain.

A Mortgage with an LTV ratio greater than 125% will be eligible for pooling in a High LTV >125% Gold PC.

With this Bulletin, we have updated Sections 13.4, *Pooling Requirements for Gold PC® Pools and Giant PC Pools*, A24.4, *Delivery and Pooling Requirements*, and B24.4, *Delivery and Pooling Requirements*, and Exhibit 17S, *Mortgage Products Available Through the Selling System*, to reflect the revised pooling criteria for Mortgages sold under fixed-rate Guarantor.

Servicing Released Sales Process

As announced in previous Bulletins, Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access with LTV ratios less than or equal to 105% are eligible for sale under the fixed-rate Cash program using the Servicing Released Sales Process Servicing option. Mortgages with LTV ratios greater than 105% may be sold under fixed-rate Cash using the Servicing retained or Concurrent Transfer of Servicing options only.

We have updated Sections A24.4, B24.4 and C24.4, *Delivery and Pooling Requirements*, to reflect Relief Refinance Mortgage eligibility for the Servicing Released Sales Process.

RECAPTURE OF PREMIUMS AND REIMBURSEMENT OF BUYUP PROCEEDS

To help address Seller origination and refinance practices that lead to unusually high prepayment speeds relating to the Freddie Mac loan portfolio, we are introducing a new provision that entitles Freddie Mac to recapture premiums and buyups associated with Mortgages that are paid off within 120 days of their sale to Freddie Mac, regardless of whether the payoff is due to a refinance of the Mortgage, a prepayment of the Mortgage or for any other reason. This remedy will be not be applied automatically; instead it will be imposed at Freddie Mac's discretion to address a Seller's origination or refinance practices that could negatively affect prepayment speeds and other situations that could impact the value of the Freddie Mac PCs containing the Mortgages.

We have created new Section 8.13, *Recapture of Premiums and Reimbursement of Buyup Proceeds*, and revised Sections 17.2, *Provisions for the Payment of Fees and Proceeds and Application of Delivery Fee Credits*, and A17.2, *Provisions for the Payment of Fees and Proceeds and Application of Delivery Fee Credits*, to reflect this new provision.

ARM NOTE RATE, MARGIN AND LIFETIME CEILING – NO LONGER REQUIRED TO BE DIVISIBLE BY ONE-EIGHTH OF 1%

We are removing the requirement that ARMs have a Note Rate, Margin and Lifetime Ceiling that are divisible by one-eighth of 1%. With this change, Sellers will have more flexibility in setting Note Rates for ARMs. This change does not affect our requirements regarding Note Rate changes on Interest Change Dates, which must continue to be rounded to the nearest one-eighth of 1%.

Sections 10.5, *Purchase Requirements*, and C15.4, *Eligible ARMs*, have been revised to reflect this change.

PRIVATE TRANSFER FEES

Effective July 16, 2012

On March 16, 2012, the Federal Housing Finance Agency (FHFA) issued a final rule that prohibits Freddie Mac from dealing in mortgages on properties encumbered by certain types of private transfer fee covenants. The rule is intended to protect Freddie Mac from exposure to mortgages with certain features that may impair their value and increase risk to the financial safety and soundness of Freddie Mac.

To comply with the final rule, we have added new Section 22.36, *Mortgages with Private Transfer Fee Covenants*, which prohibits the sale to Freddie Mac of Mortgages that are encumbered by certain private transfer fee covenants. Effective on **July 16, 2012**, Mortgages on properties encumbered by certain private transfer fee covenants, prohibited by 12 C.F.R. Part 1228, are ineligible for purchase by Freddie Mac, if those covenants were created on or after February 8, 2011.

Seller/Servicers must represent and warrant that they have controls in place to prevent the delivery of ineligible Mortgages encumbered by private transfer fee covenants to Freddie Mac. We will review these controls as part of our regular on-site reviews of Seller/Servicers and identify risks and recommend control enhancements, as appropriate.

REMOVAL OF FANNIE MAE BALLOON DOCUMENTS

Effective for Mortgages with Settlement Dates on or after September 1, 2012

We have revised Section 33.3, *Mortgage Document Requirements*, to delete certain references to Fannie Mae balloon documents as Freddie Mac will no longer purchase Balloon/Reset Mortgages originated on these documents. We have also revised Section A83.8, *Balloon/Reset Mortgage Documents*, to remove certain references to the origination of Balloon/Reset Mortgages on Fannie Mae balloon documents.

COUNTERPARTY AUTHORIZATION (CPA) COMPLIANCE

We will be contacting customers with CPA compliant accounts to request resubmission of Guide Forms 988SF, *Certificate of Incumbency – For a Corporation or Limited Liability Company Only*, or 989SF, *Certificate of Incumbency – For a Partnership or Sole Proprietorship Only*, if it has been more than two years since those forms have been submitted. Updating outdated information provided in these forms will help to mitigate the risk of unauthorized persons making financial decisions on behalf of the Seller.

We have additionally updated Forms 483, *Wire Transfer Authorization*, 987, *Wire Transfer Authorization for a Cash Warehouse Delivery*, 987E, *Wire Transfer Authorization for a Warehouse Delivery – For Use in the Freddie Mac Selling System*, 988SF, 988ASF, *Addendum to Certificate of Incumbency – For a Corporation or Limited Liability Company Only*, 989SF and 989ASF, *Addendum to Certificate of Incumbency – For a Partnership or Sole Proprietorship Only*, to provide clearer instructions and layout.

UPDATED APPENDIX D

As announced in our Single-Family Update e-mail on April 10, 2012, an updated version of Appendix D was posted on **FreddieMac.com**. The updated Appendix D provides additional guidance on the selection and use of the condition and quality ratings.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters 1, 3, 8, 10, 13, C15, 17, A17, 22, A24, B24, C24, 33, 37, 48 and A83
- Forms 483, 987, 987E, 988SF, 988ASF, 989SF and 989ASF
- Exhibits 4, 7, 17S and 24

CONCLUSION

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

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

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Bulletin

NUMBER: 2012-12

TO: Freddie Mac Sellers May 24, 2012

SUBJECT: STATE HOUSING FINANCE AGENCY PROGRAMS IN SUPPORT OF THE HOME AFFORDABLE REFINANCE PROGRAM

The Treasury has awarded $7.6 billion in funding for innovative programs developed by state Housing Finance Agencies ("HFAs") to stabilize local housing markets and prevent foreclosures in 18 states and the District of Columbia. The Hardest Hit Fund (HHF) programs provide funding for various purposes, including funds for principal curtailment, to help homeowners obtain more affordable mortgages or to help homeowners retain their homes.

HFAs have established programs utilizing HHF program funds to support the Home Affordable Refinance Program (HARP). Each participating HFA establishes its own eligibility guidelines for Borrower participation and approves the provision of HHF program funds.

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing that, effective immediately, for Relief Refinance Mortgages℠, the use of HHF program funds by an HFA to pay down or curtail the outstanding mortgage balance on a Borrower's existing loan at the time of refinancing and/or to pay Closing Costs, Financing Costs and Prepaids/Escrows for the Relief Refinance Mortgage is permitted, as long as the funds provided by the HFAs do not result in a lien on the property. The Mortgage file must contain documentation verifying the terms and conditions of the HHF funds provided to the Borrower. When repayment of funds is required, the verified payment must be included in the monthly debt payment-to-income ratio, unless the calculation of the debt payment-to-income ratio is not required or repayment of funds is due only upon sale or default. The HHF program funds must be reflected on the HUD-1 Settlement Statement. The Seller remains responsible for ensuring that all requirements of its Purchase Documents, including, but not limited to, requirements related to Relief Refinance Mortgages/HARP have been met. The Guide will be updated at a later date to reflect these changes.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

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Bulletin

NUMBER: 2012-13

TO: Freddie Mac Servicers June 13, 2012

SUBJECTS

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

- Revising our State foreclosure time line and related compensatory fee requirements
- Specifying the time frames within which a Servicer must send a modification agreement to its Document Custodian
- Updating our expense reimbursement requirements to:
  - Include a reimbursement time frame for non-Real Estate Owned (REO) claim submissions of taxes that were incurred and paid to a taxing authority
  - Remove the expense code used for inspection fees payable by MIs
- Permitting Servicers to forward REO-related remittances by wire transfer to Freddie Mac
- Updating Guide Section A65.27, *Short-Term Unemployment Forbearance*, to emphasize that the Borrower's level of Delinquency is not applicable if the Borrower is being considered for short-term unemployment forbearance
- Updating the Guide to clarify that Borrowers in bankruptcy are excluded from the quality right party contact performance standard
- Adding new Guide Chapter 57, *Fraud Prevention, Detection and Reporting*, to Volume 2 of the Guide ("Volume 2"), to restate the requirements contained in Chapter 7, *Fraud Prevention, Detection and Reporting*, in Volume 1 of the Guide ("Volume 1")
- Updating Section 53.15, *MERS®*, (formerly titled "Post-Purchase MERS Registration") to require Servicers to manage "Legal Filings" on behalf of Freddie Mac in order to comply with revised Rule 14 of the MERS® System Rules of Membership ("MERS Rule 14")

In addition, we are providing the following notifications, updates and reminders:

- Regarding Balloon/Reset Mortgages:
  - Announcing the new Servicing Maturing Balloon/Reset Mortgages Quick Reference Guide ("Balloon/Reset Quick Reference Guide") (formerly the "Balloon/Reset Manual") on our web site at: **http://www.freddiemac.com/learn/pdfs/service/balloon_qr.pdf**
  - Notifying Servicers that although Freddie Mac will no longer purchase Balloon/Reset Mortgages originated on Fannie Mae balloon documents effective September 1, 2012 (see Bulletin 2012-11), there are no changes to the requirements for Servicing Balloon/Reset Mortgages that were originated on acceptable Fannie Mae balloon documents and are Freddie Mac-owned or are purchased prior to September 1, 2012

- Updating cross-references in Volume 2 to refer to Chapter 3, *Special Requirements for Electronic Transactions*, which replaced Section 1.3, *Acknowledgment and Consent to Electronic Transactions* (as announced in Bulletin 2012-11)
- Updating Guide Form 1034B, *Custodial Certification Schedule – Balloon Loan Modification*, to provide our new mailing address for delivery of the form

EFFECTIVE DATE

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

STATE FORECLOSURE TIME LINES AND RELATED COMPENSATORY FEES

Effective for all foreclosure sales completed on or after January 1, 2012

State foreclosure time lines

We have revised our State foreclosure time lines in Guide Exhibit 83, *Freddie Mac State Foreclosure Time Lines*.

Allowable delays in completing a foreclosure

We have revised the Guide to add the following circumstances in which the State foreclosure time line will be extended for a Mortgage:

- Delays where the Borrower entered a Standard Modification Trial Period Plan but failed to comply with the terms of the plan
- Delays where the Borrower entered into an unemployment forbearance plan
- Delays caused by the Borrower filing for Chapter 11 bankruptcy

Refer to revised Section 66.32(a) and Exhibit 83A, *Determining State Foreclosure Time Line Performance Compensatory Fees*, for details related to the allowable delays in completing a foreclosure.

Further, we are granting additional time for allowable delays that are due to contested foreclosures, probate and military indulgence under the Servicemembers Civil Relief Act of 2003 or similar State law providing relief to active duty military service members.

Refer to revised Exhibit 83A for the manner in which Freddie Mac calculates the additional time granted for each of the allowable delays.

In addition, we have reposted the allowable State foreclosure time line delay in which the foreclosure and/or bankruptcy was handled by a designated counsel or trustee **for Mortgages referred to foreclosure prior to October 1, 2011**. Refer to revised Section 66.15.1, *Compensatory Fee for Failure to Use Designated Counsel or Trustee when Required*, for details related to this allowable delay.

Compensatory fees

If the Servicer exceeds the State foreclosure time line (Due Date of Last Paid Installment (DDLPI) to foreclosure sale) on a Mortgage plus any extension for allowable delays, compensatory fees will be assessed in addition to any actual damages caused by the Servicer's failure to comply with the requirements of the Guide.

We have revised the calculation for State foreclosure time line compensatory fees **for Mortgages referred to foreclosure on or after October 1, 2011**. Foreclosure sales that are completed by Servicers and are under the State foreclosure time line standard will now offset foreclosure sales that exceed the State foreclosure time line for that particular State only. This change may be referred to as intra-State netting, which is the process of totaling the performance of Mortgages (within a particular State) that are managed both under and over Freddie Mac State foreclosure time lines.

Appeal process

We have updated our requirements concerning the compensatory fee 30 day appeal process to permit Servicers to appeal the results set forth on the Monthly Compensatory Fee Analysis Report by submitting data that was not previously reported, or inaccurately reported. Freddie Mac will use the information submitted in connection with an appeal to re-calculate a Servicer's compensatory fee amount that will appear on the Servicer non-Performing Loans Invoice. Servicers should review the recent changes that were made to the compensatory fees assessed for researching and reconstructing Servicer records and were announced in Bulletin 2012-7.

Servicers must submit, in their original appeal, a description of all delays along with all related documentation. Any information that is received after the original appeal is submitted will not be considered.

Sections 66.15.1, 66.32, *Allowable Delays in Completing a Foreclosure*, and 66.33, *State Foreclosure Time Line Performance Assessment*, and Exhibits 83 and 83A have been updated to reflect these State foreclosure time line and related compensatory fee changes.

SENDING MODIFICATION AGREEMENT TO SERVICER DOCUMENT CUSTODIAN

We have updated Sections B65.25, *Loan Modification Documents*, and C65.7, *Modification Process*, to specify the time frames within which a Servicer must send a modification agreement to its Document Custodian. The Servicer must send to the Document Custodian:

- The fully executed modification agreement or, if recordation of the modification agreement is required, a certified copy of the modification agreement, within 25 days of the Servicer receiving it from the Borrower
- A modification agreement that is returned from the recorder's office within five Business Days after receiving it from the recorder's office

REIMBURSEMENT OF EXPENSES

Reimbursement time frame for non-REO claim submissions

Effective July 16, 2012

Section 71.14, *Reimbursement of Taxes*, provides the time frame in which taxes incurred and paid by the Servicer are reimbursable on REO claim submissions. However, there is no explicit reimbursement time frame in Section 71.14 for taxes incurred and paid in connection with non-REO events.

We have updated Section 71.14 to provide that with respect to non-REO claim submissions, Servicers that are in compliance with the requirements of Sections 59.1, *Escrow for Taxes, Ground Rents, Assessments and Other Charges*, and 66.29, *Expenses That May Become First Liens on the Property*, will be reimbursed for taxes that were incurred and paid to a taxing authority up to 12 months prior to the DDLPI through the payoff date.

Removal of expense code used for inspection fees payable by MIs

Effective August 1, 2012

In Bulletin 2011-5, Freddie Mac introduced new expense codes with increased reimbursement amounts for interior and exterior property inspections.

Effective August 1, 2012, we are removing expense code 404006 "Inspection Fees Payable by MIs." Servicers will be reimbursed for property inspection expenses incurred as outlined in Section 71.17, *Reimbursement for Property Inspection and Property Preservation Expenses*, and no longer need to use a separate expense code for property inspection fees payable by MIs. Servicers must continue using expense codes 404007, "Interior Property Inspection," and 404005, "Exterior Property Inspection," to request reimbursement for interior and exterior inspections, respectively.

Exhibits 57 and 74, *Expense and Income Codes for Expense Reimbursement Claims*, have been updated to reflect this change.

REO-RELATED REMITTANCES

Sections 71.29, *Forwarding Remittances to Freddie Mac*, and 77.21, *Remitting via the Automated Cash Remittance System*, require that Servicers forward remittances for REO-related funds to a lockbox mailing address provided in Directory 6. Effective immediately, Servicers may also forward REO-related remittances by wire transfer to Freddie Mac.

Sections 71.29, 77.21 and the Directory have been updated to reflect this change. The updated Directory provides the applicable wire transfer instructions.

UNEMPLOYMENT FORBEARANCE

In Bulletin 2012-2, we introduced the unemployment forbearance relief option, which includes requirements for both short-term and extended unemployment forbearance.

With this Bulletin, we are updating the short-term unemployment forbearance requirements to emphasize that a Servicer must not consider a Borrower's level of Delinquency when determining the length of the short-term unemployment forbearance period.

However, if a Borrower remains unemployed at the end of the short-term unemployment forbearance period and is eligible for extended forbearance, a Servicer must verify that any extended forbearance period granted may not extend beyond a term that would cause the Delinquency to exceed 12 months of the Borrower's contractual monthly Mortgage payment, including taxes and insurance, if the Servicer is collecting Escrows for such expenses.

Section A65.27 has been updated to reflect this additional guidance.

QUALITY RIGHT PARTY CONTACT PERFORMANCE STANDARD

In Bulletin 2011-11, we introduced the quality right party contact performance standard. With this Bulletin, we are updating the Guide to clarify that Borrowers in bankruptcy are excluded from the quality right party contact performance standard.

Sections 64.4, *Collection Efforts*, and 65.8, *Performance Standards*, have been revised to reflect this update.

FRAUD PREVENTION, DETECTION AND REPORTING

Fraud prevention, detection and reporting requirements

Previously, our fraud prevention, detection and reporting requirements ("fraud requirements") for Seller/Servicers were contained in Chapter 7 in Volume 1, with an abbreviated version in Section 51.3(e) in Volume 2 referring to Chapter 7 for complete information. In order to enhance Servicers' access to these provisions, we have added new Chapter 57 in Volume 2, which fully restates the Chapter 7 fraud requirements. With the addition of Chapter 57, the fraud requirements in Section 51.3, *Servicing Facilities and Duties*, have been deleted.

Quality control and fraud prevention resources

We have updated the quality control and fraud prevention resources on **FreddieMac.com**

Information about these updated resources is provided in Section 57.6, *Additional Resources*, and revised Sections 7.6, *Additional Resources*, and 22.15(b).

Reminder – Notifying Freddie Mac of mortgage insurance termination or denial of mortgage insurance coverage due to fraud

As stated in our August 12, 2011 Industry Letter, Seller/Servicers must notify Freddie Mac of termination or denial of mortgage insurance coverage of Freddie Mac-owned Mortgages based on fraud. These requirements appear in Section 7.3(a) and in new Section 57.3(a).

REVISIONS TO MERS RULE 14

On February 1, 2012, revisions to MERS Rule 14 went into effect. Pursuant to revised MERS Rule 14, Section 2(e), Servicers managing "Legal Filings" (as described in MERS Rule 14) on behalf of Freddie Mac (a MERS Member and a named Investor appearing on the MERS System) are required, when applicable, to provide various notifications and information to MERS about such Legal Filings.

With this Bulletin, we are revising Section 53.15 to add a specific instruction regarding a Servicer's obligations with respect to MERS Rule 14.

As a reminder, pursuant to Section 51.4, *Servicer and Servicing Agents*, a Servicer that designates another Servicer as its Servicing Agent continues to be responsible and liable to Freddie Mac for all Servicing requirements and all representations and warranties in accordance with the terms of the Purchase Documents. Therefore, as with any Servicing responsibility under the Purchase Documents, the Servicer is responsible for the Servicing Agent's compliance with the requirements of Section 53.15(c) regarding MERS Rule 14.

ADDITIONAL NOTIFICATIONS, UPDATES AND REMINDERS

Balloon/Reset Mortgages

Servicing Maturing Balloon/Reset Mortgages Quick Reference Guide

In Bulletin 2011-16, we retired Chapter 83, *Additional Servicing Requirements for Balloon/Reset Mortgages*, and replaced it with new Chapter A83, *Additional Servicing Requirements for Balloon/Reset Mortgages*, effective October 1, 2011.

At that time, we indicated that we were in the process of updating the Balloon/Reset Manual to reflect the retirement of MIDANET®, the implementation of the Freddie Mac Service Loans application and the new Chapter A83 references. With this Bulletin, we are announcing that we have completed the update and that the new Balloon/Reset Quick Reference Guide is available on our web site at: **http://www.freddiemac.com/learn/pdfs/service/balloon_qr.pdf**.

Chapter A83 has been updated to refer to the new Balloon/Reset Quick Reference Guide.

Removal of Fannie Mae balloon documents

Bulletin 2012-11 notified Freddie Mac Sellers that effective September 1, 2012, Freddie Mac will no longer purchase Balloon/Reset Mortgages originated on Fannie Mae balloon documents. We also updated Chapter A83, to reflect that Balloon/Reset Mortgages originated on Fannie Mae balloon documents will be ineligible for sale to Freddie Mac.

We are notifying Servicers that while the origination document requirements have changed, there are no changes to the requirements for Servicing Balloon/Reset Mortgages that were originated on acceptable Fannie Mae balloon documents and are Freddie Mac-owned or are purchased prior to September 1, 2012. This includes the requirements for calculating Required Net Yield (RNY).

Electronic Transactions

In Bulletin 2012-11, we relocated our requirements for conducting Electronic Transactions from Section 1.3 to new Chapter 3.

With this Bulletin, we are updating provisions and changing cross-references in Volume 2 to reflect the changes resulting from the relocation.

We are also updating the methods of copying Mortgage file documents and clarifying the types of document formats in which such documents can be maintained to reflect common industry practices in Section 52.2, *Form*. Effective for Mortgages with Note Dates on or after **July 1, 2013**, Servicers may no longer copy and maintain Mortgage file documents and Records on microfilm or microfiche, but may scan (or continue to scan) and store such documents as Portable Document Format (PDF), Tagged Image File (TIF) format, Joint Photograph Experts Group (JPEG) format, or other electronic document formats commonly used at this time by the mortgage industry in the regular course of business.

Section 52.2 and Section 56.8, *Transfer of Records*, have been revised to reflect this requirement.

In addition, we are reminding Servicers that if a document is created electronically and contains or has associated data, the Servicer should store the Electronic (as defined in Chapter 3) document in its original Electronic document format and not convert it to another Electronic document format that may alter, garble or destroy the Electronic document view (image on a computer screen or printed on paper) or the data content (data contained in or associated with the Electronic document).

Delivery of Form 1034B

We have updated Form 1034B to reflect a new address for delivery of the original certified form to Freddie Mac.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 7, 22, 48, 50, A50, 51, 52, 53, 56, 57, 64, 65, A65, B65, C65, D65, 66, 71, 77 and A83
- Forms 479A, 902, 902SA, 960 and 1034B
- Exhibits 57, 74, 83, 83A, 88 and 91
- Directory 6
- Glossary

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Bulletin

NUMBER: 2012-14

TO: Freddie Mac Sellers and Servicers July 11, 2012

SUBJECT: CONDOMINIUM PROJECT REQUIREMENTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is providing the following updates and revisions to its Condominium Project review and eligibility requirements:

- Reorganizing and simplifying Guide Chapter 42, *Special Requirements for Condominiums*, to streamline our condominium requirements, revising our requirements for reviewing condominium projects to reflect many industry practices and to communicate them in a sequential manner
- Simplifying our requirements by converting certain warranties for Condominium Projects into specific project eligibility requirements for each project review type
- Streamlining our project eligibility criteria for reciprocal project reviews
- Streamlining our requirements for Detached Condominium Projects and Mixed-Use Condominium Projects
- Eliminating our requirements for Newly-converted Condominium Projects and updating requirements related to Condominium Project conversions

Seller/Servicers should review updated Chapter 42 in its entirety to ensure they are aware of all changes to Freddie Mac requirements for Condominium Projects.

We are also revising certain flood insurance **selling and Servicing** requirements for Condominiums Units when the condominium owners association's building coverage does not meet certain requirements.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective for Mortgages with Delivery Dates on or after **December 1, 2012**, unless otherwise noted. However, Sellers may implement the revisions immediately.

GENERAL CONDOMINIUM REVIEW AND ELIGIBILITY REQUIREMENTS

Restructuring of Chapter 42, *Special Requirements for Condominiums*

We have reorganized and simplified Chapter 42 and revised our requirements for reviewing Condominium Projects to reflect many industry practices. All Condominium Unit Mortgages must meet the general eligibility requirements of Guide Section 42.2, *General Condominium Project Eligibility Requirements*, and Condominium Units must not be in ineligible projects as described in Section 42.3, *Ineligible Projects*.

The Condominium Unit Mortgage must also meet the following requirements, as applicable, based on the project type or project review type:

- Section 42.4, *Streamlined Reviews*
- Section 42.5, *Established Condominium Reviews*
- Section 42.6, *New Condominium Projects*
- Section 42.7, *Other Condominium Projects*
- Section 42.8, *Other Condominium Project Requirements*
- Section 42.9, *Reciprocal Project Reviews*

All project review type requirements as well as Glossary defined terms have been incorporated into one of the above-referenced sections, resulting in self-contained project review sections.

Section 42.11, *Additional Seller Condominium Project Warranties*, has been deleted. Certain key warranties of this section have been incorporated into Sections 42.4, 42.5 and 42.6.

An additional component of the Chapter 42 restructuring is the conversion of certain warranties into eligibility requirements. This provides greater detail with respect to project eligibility and review requirements. Chapter 42 has been renamed "Special Requirements for Condominiums" to reflect these changes.

Reciprocal project review eligibility criteria

Freddie Mac has simplified its project review requirements for reciprocal project reviews by:

- Streamlining its eligibility criteria for reciprocal project reviews
- Reducing the number of project review eligibility criteria and warranties

Section 42.9 has been updated to reflect these changes.

Detached Condominium Projects

In addition to the general requirements in Section 42.2, revised project review requirements for Detached Condominium Projects will only include the following:

- The Condominium Project must be comprised solely of detached 1-unit dwellings
- The Condominium Project must not include Manufactured Homes

Sections 42.7 and 42.8 have been updated to reflect these changes.

Mixed-Use Condominium Projects

We have removed several requirements for Mixed-Use Condominium Projects.

Sections 42.1, *Overview*, 42.3 and 42.7 have been updated to reflect these changes.

Newly-converted Condominium Projects

We have revised Chapter 42 and the Glossary to eliminate the term "Newly-converted Condominium Projects." Freddie Mac has updated its requirements related to condominium conversions to apply only to New Condominium Projects.

FLOOD INSURANCE

Effective immediately, we have revised Section 58.3, *Flood Insurance*, to require that to the extent a condominium owners association's building coverage does not meet the requirements specified in Section 58.3, the Borrower must maintain supplemental coverage on the Condominium Unit in an amount at least equal to the difference between the condominium association's building coverage allocated to that unit and the amount required on a 1- to 4-unit property with a deductible not exceeding the maximum deductible allowed for a 1- to 4-unit property.

We have also updated Section 58.3 to remove outdated information.

Effective **December 1, 2012,** if the condominium owners association's building coverage is not at least equal to the lower of 80% of the building's replacement cost or $250,000 multiplied by the number of units in the building, the Mortgage is not eligible for sale to Freddie Mac, with the exception of Freddie Mac Relief Refinance Mortgages[SM].

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters L33, 42, 44 and 58
- Glossary

TRAINING

Updated training and resource materials are available on Freddie Mac's Learning Center and in our webinar, *Condominium Projects Eligibility Requirements*.

Visit **http://www.freddiemac.com/learn/uw/collateral.html** for additional information.

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 "Loan Origination."

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Bulletin

NUMBER: 2012-15

TO: Freddie Mac Sellers July 20, 2012

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are providing updates to our Uniform Loan Delivery Dataset (ULDD) resources to reflect the initial implementation phase ("Phase I implementation") requirements for the delivery of ULDD data that are effective for Mortgages delivered to Freddie Mac on or after **July 23, 2012** with Application Received Dates on or after December 1, 2011.

We are updating the ULDD resources by:

- Effective July 23, 2012, transitioning Guide Chapter A17, *Mortgage Delivery Instructions*, to Chapter 17, and retiring the prior version of Chapter 17, *Mortgage Delivery and Settlement Processing*
- Providing additional instructions and clarifications in new Chapter 17 based upon the recent implementation of the ULDD in the Freddie Mac Selling System ("Selling System")

We are also notifying Sellers that we have posted an updated *Appendix A Addendum* of the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD") to our web site.

In addition, we are providing the following notifications, updates and reminders:

- Updating the Guide to reflect the changes announced in Bulletin 2012-12 pertaining to the use of Hardest Hit Fund (HHF) program funds with Freddie Mac Relief Refinance Mortgages[SM]
- Reminding Sellers of our fraud prevention, detection and reporting requirements and noting the updated fraud resources available on **FreddieMac.com**
- Removing the *Selling Mortgages to Freddie Mac for Cash User Guide* and *Selling Mortgages to Freddie Mac Guarantor and MultiLender Swap User Guide* ("Selling System user guides") as part of the Purchase Documents
- Updating cross-references to Chapter 3, *Special Requirements for Electronic Transactions*, which replaced Guide Section 1.3, *Acknowledgement and Consent to Electronic Transactions* (as announced in Bulletin 2012-11)

EFFECTIVE DATE

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

UNIFORM LOAN DELIVERY DATASET UPDATES

Chapter A17 transition

Effective July 23, 2012

In Bulletin 2011-14 we added Chapter A17 to the Guide, which sets forth Freddie Mac's delivery requirements using the ULDD.

Effective July 23, 2012, we are transitioning Chapter A17 to Chapter 17. The prior version of Chapter 17 will be removed in its entirety and all cross-references in the Guide to Chapter A17 will be changed to reflect Chapter 17.

As a reminder, Guide Forms 11, *Mortgage Submission Schedule*, and 13SF, *Mortgage Submission Voucher*, have been retired and removed from the Guide.

Additional instructions and clarifications

Effective July 23, 2012

With this Bulletin, we are updating the following sections of Chapter 17 (formerly Chapter A17) to provide additional instructions and clarifications based upon the recent implementation of the ULDD in the Selling System:

- 17.7, *Loan Data Required for All Mortgages*
- 17.10, *Delivery Requirements for ARMs*
- 17.11, *Property Data Required for All Mortgages*
- 17.12, *Borrower Data Required for All Mortgages*
- 17.13, *Loan Prospector® Mortgage Underwriting Data Requirements*
- 17.14, *Non-Loan Prospector® Mortgage Requirements*
- 17.18, *Home Possible® Mortgages*
- 17.26, *Mortgage Insurance Requirements*
- 17.32, *Loan Prospector® Mortgages Originated Using Home Value Models*
- 17.33, *Mortgages Sold through the Servicing Released Sales Process*
- 17.34, *Seller-Owned Modified Mortgages*
- 17.35, *Construction Conversion and Renovation Mortgages*

Appendix A Addendum

We have updated the *Appendix A Addendum* to provide minor updates to the requirements for the delivery of ULDD data. Sellers should review the changes marked "7/20/2012" to become familiar with these new requirements.

The Freddie Mac IG-LD, including the updated *Appendix A Addendum*, is located under the Technical Resources tab on the ULDD page of our web site at:
http://www.freddiemac.com/sell/secmktg/uniform_delivery.html.

STATE HOUSING FINANCE AGENCY PROGRAMS USING THE HARDEST HIT FUND TO SUPPORT THE HOME AFFORDABLE REFINANCE PROGRAM

Effective May 24, 2012

As announced in Bulletin 2012-12, the use of HHF program funds to pay down the outstanding Mortgage balance on a Borrower's existing loan at the time of refinancing and/or to pay Closing Costs, Financing Costs and Prepaids/Escrows for a Relief Refinance Mortgage is permitted, subject to certain requirements.

With this Bulletin, we are incorporating these changes into Sections A24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Same Servicer with LTV Ratios Greater than 80%*, B24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Open Access*, and C24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Same Servicer with LTV Ratios Less than or Equal to 80%*.

FRAUD PREVENTION, DETECTION AND REPORTING

Reminder – Notifying Freddie Mac of any incident where there is reason to believe that fraudulent or possible fraudulent activity has taken place during the origination or Servicing of a Mortgage

As a reminder, Chapter 7, *Fraud Prevention, Detection and Reporting*, requires Seller/Servicers to report any incident where there is reason to believe that fraudulent or possible fraudulent activity has taken place during the origination or Servicing of a Mortgage within 30 days of discovery. Section 7.3, *Reporting Requirements*, also details certain types of fraud that require immediate reporting.

Fraud prevention, detection and reporting requirements

In Bulletin 2012-13 we announced the addition of new Chapter 57, *Fraud Prevention, Detection and Reporting*, to Volume 2 of the Guide, to restate the requirements contained in Chapter 7 in Volume 1 of the Guide. Section 7.5, *Additional Requirements*, was revised to include a reference to Section 53.8, *Compliance with Applicable Law*, which contains the Servicer's agreement to comply with applicable law, in addition to the reference to Section 6.2, *Compliance with Applicable Law*, which contains the Seller's agreement to comply with applicable law. Additionally, Section 7.7, *Related Provisions*, was revised to include a reference to Chapter 57.

Quality control and fraud prevention resources

We have updated the quality control and fraud prevention resources on **FreddieMac.com**. Information about these updated resources is provided in Sections 7.6, *Additional Resources*, 22.15(b), and 57.6, *Additional Resources*.

SELLING SYSTEM USER GUIDES NO LONGER PURCHASE DOCUMENTS

We have updated Section A1.5, *Incorporation of the Selling System into the Purchase Documents*, to remove the Selling System user guides as part of the Purchase Documents. Although the Selling System user guides are no longer Purchase Documents, they continue to be useful resources and Sellers should continue to comply with the instructions they provide with respect to Selling System usage.

The *Selling Mortgages to Freddie Mac for Cash User Guide* can be found on the Learning Center's web site at: **http://www.freddiemac.com/learn/pdfs/deliver/ss_cash.pdf** and the *Selling Mortgages to Freddie Mac Guarantor and MultiLender Swap User Guide* can be found on the Learning Center's web site at: **http://www.freddiemac.com/learn/pdfs/deliver/ss_guar_multi_user_guide.pdf**.

ELECTRONIC TRANSACTION UPDATES

In Bulletin 2012-11 we relocated our requirements for conducting Electronic Transactions from Section 1.3 to Chapter 3.

With this Bulletin we are providing more clarity regarding defined terms applicable to Electronic Transactions as set forth in Chapter 3 by capitalizing defined Electronic Transaction terms so they are more easily identified and understood in other chapters of the Guide. We are also updating remaining cross-references from Section 1.3 to Chapter 3.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters 1, A1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, A13, B15, C15, D15, 16, 17, A17, 18, 19, 22, 23, 24, A24, B24, C24, 25, 26, 27, 30, 32, 33, B33, C33, D33, E33, F33, H33, I33, K33, L33, A34, 35, 37, 42, 44, 77 and 80
- Forms 901, 1034S, 1034SM and 1107SF
- 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,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2012-16

TO: Freddie Mac Servicers August 20, 2012

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing the Freddie Mac Standard Short Sale/HAFA II Short Sale (referred to hereafter as the "Standard Short Sale"). The Standard Short Sale, a part of the Servicing Alignment Initiative (SAI) completed under the direction of the Federal Housing Finance Agency, is designed to serve as a workout option for Borrowers who are unable to retain their homes and for whom a home retention alternative to foreclosure is not a workable solution. This Bulletin provides complete requirements for the Standard Short Sale.

We are also introducing a new process that Servicers will use to obtain a property value and minimum net proceeds to determine whether a purchase offer for a short sale meets the Standard Short Sale requirements. The new valuation process will be available through the Freddie Mac Service Loans application ("Service Loans application").

Additionally, we are making the following changes to our Servicing requirements:

- Providing more details with respect to the extension of the Home Affordable Modification Program (HAMP) and announcing the expiration of the Home Affordable Foreclosure Alternatives (HAFA) initiative
- Revising our eligible hardships and Borrower documentation requirements for alternatives to foreclosure
- Revising our deed-in-lieu of foreclosure (DIL) requirements to permit Servicers to:
  - Evaluate the Borrower for a DIL without obtaining or reviewing a complete Borrower Response Package in certain circumstances
  - Authorize payment of up to an aggregate $6,000 to subordinate lien holders
- Incorporating into the Guide the communication time lines for short sales previously announced in Bulletin 2012-9
- Updating the Guide to extend the Servicemember's Civil Relief Act (SCRA) foreclosure protection period and expiration date, and to provide for postponement of foreclosure to a surviving spouse of a service member whose death was service-related
- Announcing an increase in the foreclosure attorney fee for Mortgages secured by properties located in Oregon

STANDARD SHORT SALE

Effective for new short sale evaluations conducted on or after November 1, 2012

With this Bulletin, we are providing complete requirements for the Standard Short Sale. The Standard Short Sale provides Servicers delegated authority to approve a short sale in accordance with the requirements of Guide Chapter B65, *Workout Options*. It also revises the non-delegated short sale workout option contained previously in Chapter B65 and provides Servicers with delegated authority to decision most short sale transactions.

Servicers must evaluate Borrowers for a Standard Short Sale in accordance with the evaluation hierarchy for alternatives to foreclosure outlined in Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*.

In addition, we are revising our requirements for service members who may be seeking a short sale as a result of having received Permanent Change of Station (PCS) orders. While we currently recognize PCS orders as an eligible hardship under distant employment transfer/relocation when evaluating a Borrower for a short sale, the Servicer now has delegated authority to decision such a short sale on both current and delinquent Mortgages without requiring a cash or promissory note contribution from the service member provided all eligibility requirements in the Guide are met, including that the Mortgaged Premises serves as the service member's Primary Residence and was purchased by the Borrower on or before **June 30, 2012**.

Sections B65.35, *What is a Short Sale*, through B65.41, *Closing, Reporting and Remittance Requirements for Short Sales and Make-Whole Preforeclosure Sales*, have been substantially revised to incorporate the requirements related to the Standard Short Sale, including:

- Borrower, property and Mortgage eligibility
- Approval authority
- Borrower documentation (including a provision for reduced documentation requirements for seriously delinquent Mortgages)
- Listing price guidance
- Borrower contribution requirements and eligibility requirements for Borrower relocation incentives
- Payments to subordinate lien holders that will require each lien holder to release its lien(s), extinguish the secured debt(s) and waive the right to pursue the deficiency
- Sales transaction and processing requirements
- Closing and reporting the short sale
- A new process to obtain a property valuation for a Standard Short Sale (see details below in the Bulletin section titled "Obtaining a property value for a Standard Short Sale")

In addition, we are providing:

- New Guide Exhibit 97, *Short Sale Affidavit*, a template representative of the short sale affidavit requirements set forth in Section B65.40, *Sales Transaction and Processing Requirements*. Servicers may use the short sale affidavit template when requiring parties to the transaction to attest that the short sale constitutes an "arm's length" transaction
- Revisions to Exhibit 93, *Evaluation Model Clauses*, including:
  - Updates to the content of the "Non-HAFA Short Sale" evaluation model clause, which has been renamed as the "Standard Short Sale Evaluation Model Clause"
  - The addition of the "Standard Short Sale – Foreclosure Sale Date Scheduled" evaluation model clause
- Additional details on foreclosure suspension and evaluation response requirements to provide further clarity (see details below in the Bulletin section titled "Foreclosure suspension and evaluation response")

Servicers must continue using Workout Prospector® to submit short sale transactions to Freddie Mac. Workout Prospector will be updated in the near future to reflect the delegated authority associated with the Standard Short Sale requirements set forth in this Bulletin and the Guide. Freddie Mac will provide further information in an upcoming communication about enhancements to Workout Prospector supporting the new Standard Short Sale requirements.

Obtaining a property value for a Standard Short Sale

We have updated Chapter B65 and Chapter 65, *Loss Mitigation*, to reflect our new process to obtain a property value for a Standard Short Sale. Rather than requesting an interior Broker's Price Opinion (BPO) via BPOdirect®, Servicers must submit a request to Freddie Mac for the property value via the Service Loans application when evaluating an eligible Borrower for a Standard Short Sale. An "Estimated Market Value" of the Mortgaged Premises and the "Minimum Net Proceeds" as determined by Freddie Mac will be returned by the Service Loans application with a "good through date" indicating the length of time the estimated market value of the Mortgaged Premises and minimum net proceeds will be valid.

Effective **November 1, 2012**, Servicers must retrieve a property value and minimum net proceeds from the Service Loans application for Mortgages that are 31 days or more delinquent. However, if the Borrower is current or less than 31 days delinquent, the Servicer must:

- Continue to request a property value from BPOdirect as set forth in Section 65.39, *Obtaining a Property Value through BPOdirect®*, for a Standard Short Sale
- Request the minimum net proceeds from Freddie Mac by sending an e-mail to **shortsales@freddiemac.com** with the following information: the Freddie Mac loan number, Servicer name, Servicer loan number and contact information

The Service Loans application will be updated in the future to accommodate requests for property values and minimum net proceeds relating to Borrowers who are current or less than 31 days delinquent. Freddie Mac will notify Servicers in a future Bulletin when the Service Loans application has been updated.

There is no change to the requirement that the Borrower must allow interior access to the Mortgaged Premises to complete the property valuation for a short sale.

Refer to Section B65.38, *Property Valuation and Minimum Net Proceeds*, for the requirements related to obtaining a property value and minimum net proceeds via the Service Loans application.

Servicer access to the Service loans application

In order to use the new functionality to obtain a property value and the minimum net proceeds, Servicers must enroll for a new authorized user role, "Workout – Specialist", in the Service Loans application. This new user role enables the user to submit a request and to receive, view and search for the Minimum Net Proceeds (MNP) and Estimated Market Value (EMV). We have updated the following Guide forms to add this new user role:

- Form 902, *Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only*
- Form 902A, *Addendum to Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only*
- Form 902SA, *Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only*
- Form 902ASA, *Addendum to Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only*

To designate an authorized employee(s) to this new user role, Servicers or authorized Servicing Agents must complete and submit the updated Form 902 or Form 902SA, as applicable, together with the Form 902A or Form 902ASA if needed. Within five Business Days of receiving the correct completed form, we will e-mail User IDs for all authorized users to the Customer Administrator designated as the Servicer's Service Loans application Primary Contact.

Servicers must submit the correct, completed form(s) no later than **October 15, 2012** in order to have the functionality available by November 1, 2012 for Mortgages that are 31 days or more delinquent.

Refer to Section A50.7, *Security and Servicer Responsibilities*, for the requirements related to the submission of Forms 902 and 902SA, including requirements for requesting approval to engage a Servicing Agent and authorization of such Servicing Agent to access the Service Loans application.

Foreclosure suspension and evaluation response

With respect to short sale evaluations, we have revised our foreclosure suspension and evaluation response requirements to provide additional clarity to:

- Foreclosure initiation and suspension requirements when the Servicer is evaluating a Borrower Response Package with or without a purchase offer
- The Servicer's evaluation response requirements when a foreclosure sale has been scheduled and a Borrower Response Package has been received, but the Borrower has yet to receive a purchase offer

Sections 64.6(d), 66.9.1, *When to Initiate Foreclosure on a First-Lien or a Second Mortgage/Home Improvement Loan (HIL)*, and 66.41, *Complete Borrower Response Packages Received after Foreclosure Has Been Initiated*, have been updated to reflect this update.

HAMP EXTENSION AND HAFA EXPIRATION

In Bulletin 2012-10, Freddie Mac announced the extension of HAMP and HAFA for Freddie Mac Mortgages through **December 31, 2013** and advised Servicers that additional details regarding the extension would be provided in a subsequent Bulletin.

With this Bulletin, we are providing the additional details with respect to the extension of HAMP. However, as a result of the new Standard Short Sale option being announced in this Bulletin, Freddie Mac's HAFA initiative will expire at the end of this year **in accordance with the original program expiration date of December 31, 2012**.

HAMP extension requirements

For a Mortgage to be eligible for HAMP, a complete Borrower Response Package or a substantially complete Borrower Response Package must be mailed by the Borrower on or before **December 31, 2013**. A substantially complete Borrower Response Package is a package that is missing only the hardship documentation. In addition, a HAMP modification must have a Modification Effective Date on or before **September 30, 2014**. However, Servicers are reminded that pursuant to the requirements of Section C65.7(d), HAMP modifications must have a first payment due date of the first of the month (i.e., no later than September 1, 2014).

Refer to updated Section C65.4, *Eligibility*, for additional information.

HAFA expiration requirements

Section D65.3, *HAFA Consideration*, currently provides that Borrowers may be accepted into HAFA if a Short Sale Agreement ("SSA") or Deed-in-Lieu Agreement ("DIL Agreement") is fully executed by the Borrower and received by the Servicer on or before **December 31, 2012**. Prior to offering the Borrower an SSA or DIL Agreement, the Servicer must ensure there is sufficient time for the Borrower to fully execute and return the agreement by the program expiration date.

If there is insufficient time to meet the program requirements by the HAFA expiration date, Servicers must consider Borrowers for a short sale or DIL in accordance with Chapter B65.

We will update the Guide in a future Bulletin to delete Chapter D65, *Home Affordable Foreclosure Alternatives* and remove references to HAFA.

ELIGIBLE HARDSHIPS AND BORROWER DOCUMENTATION

Effective for all new evaluations for alternatives to foreclosures conducted on or after November 1, 2012

We have revised our requirements for eligible hardships and Borrower documentation for alternatives to foreclosure. These revised requirements will apply to certain relief and all workout options, and include the following:

- Revisions to the list of eligible hardships

- Revisions to the documentation requirements in support of certain hardships, including the elimination of the requirement that a Borrower provide a written explanation describing the specific nature of his or her hardship, except in certain cases
- Clarifying income documentation requirements for salaried or hourly wage earners

In addition, we have updated the Guide to provide guidance to Servicers on the calculation of gross income when the Borrower's income is non-taxable.

The changes to the hardship and Borrower documentation requirements are effective for all new evaluations for alternatives to foreclosure conducted on or after **November 1, 2012**, but Servicers are strongly encouraged to adopt the changes earlier for all new requests for evaluation.

Sections 65.17, *Verifying a Borrower's Hardship*, 65.18, *Borrower Income Documentation*, and Form 710, *Uniform Borrower Assistance Form*, have been revised to reflect these changes.

REDUCED DOCUMENTATION AND MAXIMUM SUBORDINATE LIEN PAYOUTS FOR DILs

Effective November 1, 2012

We are revising our DIL requirements to permit Servicers to:

- Submit a recommendation to Freddie Mac for a DIL without obtaining a Borrower Response Package or Borrower contribution toward the deficiency if the Borrower is 90 days or more delinquent and has a FICO score less than 620 as of the evaluation date. Servicers should refer to Section B65.44, *Eligibility Requirements*, for additional detail related to this change.
- Authorize payment of up to an aggregate $6,000 to subordinate lien holders in exchange for a lien release and extinguishment of the indebtedness secured by the Mortgaged Premises. Servicers may divide the payment among subordinate lien holders to maximize the chances that all subordinate lien holders will release their liens and extinguish the debts, provided that the aggregate payout does not exceed $6,000.

These changes align with similar changes announced in this Bulletin for the Standard Short Sale.

Sections B65.44 and B65.47, *Approval Conditions*, have been updated to reflect these changes.

SHORT SALE COMMUNICATION TIME LINES

Effective June 15, 2012

In Bulletin 2012-9, we provided short sale communication time line requirements that Servicers must comply with when evaluating and responding to a Borrower request for a short sale. With this Bulletin, we have updated Chapters 64, *Delinquencies*, B65 and D65, *Home Affordable Foreclosure Alternatives*, to reflect these requirements that became effective on **June 15, 2012**.

SERVICE MEMBER UPDATES

Effective November 1, 2012

We have updated Section 82.1, *Military Relief*, to provide for postponement of a foreclosure to a surviving spouse of a service member whose death was service-related, when the surviving spouse is the owner, successor in interest or otherwise has title to the Mortgaged Premises and resides in the Mortgaged Premises as his or her Primary Residence.

We have also revised the Guide to provide that Servicers must not initiate or resume foreclosure for at least 12 months after the service member has been released from active duty, or the date the surviving spouse receives notice of service-related death when the release or receipt of notice of death occurs on or before **December 31, 2014.**

Sections 66.12.1, *Approving Initiation of Foreclosure on Mortgaged Premises Owned by Borrowers in Active Military Service*, and 82.1 have been updated to reflect these changes.

CHANGE IN ATTORNEY FEE LIMIT – OREGON

Effective January 1, 2012

With this Bulletin, we are updating Freddie Mac's limits for foreclosure attorney fees for foreclosure referrals on Mortgages secured by properties located in Oregon. Effective on or after **January 1, 2012**, for foreclosure referrals proceeding judicially, the attorney fee limit is increased to $2,050.00.

Until further notice, in order to be reimbursed for the increased fee amount, Servicers must submit a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System.

We will update Exhibit 57A, *Approved Attorney Fees and Title Expenses*, to reflect this change in a subsequent Bulletin.

TRAINING

To help Servicers further understand the Standard Short Sale option and requirements related to obtaining a short sale property value from Freddie Mac, we highly encourage you to enroll in our new webinar, *Bulletin 2012-16: Freddie Mac's Standard Short Sale*, through Freddie Mac's Learning Center. Additional components of the Bulletin will also be included.

Information is available at:
http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=FM_ShortSale.

Servicers should visit the Learning Center web page at: **http://www.freddiemac.com/learn/service/** for additional Servicing training information and training resources.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 7, 37, 51, 57, 64, 65, A65, B65, C65, D65, 66, 71, 76, 77, 78, 79, 82 and A83
- Forms 710, 902, 902A, 902SA, 902ASA
- Exhibits 60, 61, 93, 96 and 97
- Directory
- Glossary

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Bulletin

NUMBER: 2012-17

TO: Freddie Mac Servicers September 10, 2012

SUBJECTS

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

- Providing new and revised requirements for Servicer participation in state Housing Finance Agency ("HFA") modification assistance programs developed in connection with the Treasury's Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund ("HHF") initiative
- Granting additional time for allowable delays in completing foreclosures where the delays are due to military indulgence
- Updating Guide Exhibit 57A, *Approved Attorney Fees and Title Expenses*, to reflect the increased limit for attorney fees for foreclosure referrals on Mortgages secured by properties located in Oregon

SERVICER REQUIREMENTS RELATED TO STATE HOUSING FINANCE AGENCIES' MODIFICATION ASSISTANCE PROGRAMS

Effective immediately

Bulletin 2011-24 set forth Freddie Mac's requirements for Servicer interaction with HFAs related to the HFAs' modification assistance programs.

With this Bulletin, Freddie Mac is providing new and revised requirements for Servicer participation in HFA modification assistance programs offering HHF funds that will be applied as a partial principal curtailment. Servicers may now participate in HFA programs that permit, after applying the HFA funds to pay arrearages (if applicable) and curtail principal, a Mortgage to be "recast" or re-amortized, with no other changes to the Mortgage terms. These programs assist Borrowers in achieving a more affordable payment and reduce the loan-to-value (LTV) ratio. In addition, we are revising participation requirements for modification assistance programs, which include funds to curtail principal and assist Borrowers in qualifying for a modification of the Mortgage terms other than just the monthly payment amount (i.e., Home Affordable Modification Program (HAMP) modification or a Freddie Mac Standard Modification ("Standard Modification")).

The requirements provided in this Bulletin revise participation requirements for modification assistance programs previously announced in Bulletin 2011-24. Servicers must continue to comply with all requirements of Guide Section 64.12, *Hardest Hit Fund*, and incorporate the new modification assistance requirements into their processes.

Modification assistance programs limited to re-amortization of the Mortgage balance

If the HFA approves the Borrower for modification assistance funds to curtail principal and there is a re-amortization of the Mortgage balance, the Servicer must apply funds in accordance with the following requirements:

- If the Mortgage is current at the time the HFA funds are received, Servicers must comply with the requirements in Section 59.2, *Partial Prepayments (Curtailments)*, on applying partial prepayments of principal and recalculating the monthly Mortgage payments
- If the Mortgage is delinquent at the time HFA funds are received, the Servicer must apply HFA funds first toward outstanding arrearages and any other past due amounts advanced, including expenses, to bring the Mortgage current, and any remaining funds must be applied to curtail principal as set forth in Section 59.2. The Servicer must recalculate the Borrower's monthly Mortgage payment based on the new Mortgage balance and otherwise comply with all other requirements in Section 59.2.
- If the Mortgage has partial principal forbearance at the time of receipt of the HFA funds, HFA funds must first be applied to outstanding arrearages and any other past due amounts advanced, including expenses, and any remaining funds must be applied in accordance with HFA instructions. If funds will be applied to the interest-bearing balance, Servicers must work with the HFA to ensure that such funds do not pay off the interest-bearing balance, thereby causing the deferred principal balance to become due. The Mortgage payment may be recalculated only to the extent that there are sufficient funds to apply to the interest-bearing balance.

For all partial prepayments of principal where the Mortgage balance is re-amortized, the Servicer must not adjust the interest rate nor extend the maturity date. Further, if there was a prior modification, all other terms and conditions of such prior modification also remain unchanged. In addition, the Servicer must prepare and require execution of a modification agreement reflecting the recalculated monthly Mortgage payment as required in Section 59.2.

A partial prepayment of principal where the monthly Mortgage payment is recalculated based on the new Mortgage balance will not be considered as a "previously modified Mortgage" for purposes of qualifying for a Standard Modification in the future.

Modification assistance programs - modification of terms option

If the HFA approves the Borrower for modification assistance that includes principal curtailment to be used in conjunction with a HAMP modification or Standard Modification, then the Servicer may only apply such funds on Mortgages that are eligible for partial principal forbearance. Once the Borrower successfully completes the Trial Period and prior to the first payment due date of the modified Mortgage, the Servicer must apply HFA funds to eliminate all outstanding arrearages and any other past due amounts advanced, including expenses, and then apply any remaining funds to the principal balance. The Servicer must use the Mortgage balance that remains after application of HFA funds to calculate the final modification terms. If the Borrower does not receive HFA funds prior to the first modified payment due date, the Servicer must complete the modification with partial principal forbearance in accordance with the Guide.

Updated forms and exhibits

We have updated the "HAMP Trial Period Plan Notice" evaluation model clause and the "Standard Modification Trial Period Plan Notice" model clause in Exhibit 93, *Evaluation Model Clauses*, to address circumstances where HFA modification assistance will be received in connection with a HAMP or Standard Modification Trial Period.

The HAMP Agreement Cover Letter (Form 1118) has also been updated and is available at **http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html**. The Home Affordable Modification Agreement (Form 3157) must also be modified to include the language provided in the updated version of Exhibit 5, *Authorized Changes to Notices, Riders, Security Instruments and the Uniform Residential Loan Application*.

ALLOWABLE DELAYS IN COMPLETING A FORECLOSURE

Effective for foreclosure sales conducted on or after November 1, 2012

We are providing additional time for allowable delays that are due to military indulgence under the Servicemember's Civil Relief Act or similar State law providing relief to active duty military service members. We are increasing the number of days granted for this allowable delay from a maximum of 365 to 450 days.

Refer to revised Exhibit 83A, *Determining State Foreclosure Time Line Performance Compensatory Fees*, for the manner in which Freddie Mac calculates the additional time granted for this allowable delay.

CHANGE IN ATTORNEY FEE LIMIT – OREGON

Effective January 1, 2012

In Bulletin 2012-16 we announced an update to Freddie Mac's limits for attorney fees for foreclosure referrals on Mortgages secured by properties located in Oregon. The attorney fee limit was increased to $2,050.00 for foreclosure referrals proceeding judicially on or after January 1, 2012. With this Bulletin we have updated Exhibit 57A to reflect this change.

Servicers are reminded that until further notice, in order to be reimbursed for the increased fee amount, Servicers must submit a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapter 64
- Exhibits 5, 57A, 83A and 93

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2012-18

TO: Freddie Mac Sellers and Servicers September 11, 2012

SUBJECT: NEW REPRESENTATION AND WARRANTY FRAMEWORK

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing a new selling representation and warranty framework effective in 2013. At the direction of the Federal Housing Finance Agency (FHFA) and jointly with Fannie Mae, we have modified our representation and warranty framework to provide more certainty and transparency for Sellers. This new framework reinforces the vital role Sellers play in originating and delivering eligible Mortgages. This new selling representation and warranty framework is effective for Mortgages with Freddie Mac Settlement Dates on and after **January 1, 2013**, provided the Mortgages have acceptable payment histories and meet other conditions and requirements as more fully described below.

Background

While the mortgage industry has undergone significant changes in the past few years, the fundamental importance of our selling representations and warranties has not changed. Selling representations and warranties are a long-standing means for enhancing liquidity in the mortgage origination process while protecting Freddie Mac from Mortgages not underwritten to prescribed standards. They are the Seller's assurance to Freddie Mac that a Mortgage sold to Freddie Mac complies in all respects with the requirements of the Purchase Documents, and if that is found not to be the case, Freddie Mac may exercise its remedies, including the issuance of a repurchase request.

While the current representation and warranty framework has streamlined and brought liquidity to the mortgage finance industry, it has also resulted in costly and time-consuming enforcement activities. The new representation and warranty framework will provide the mortgage finance industry with more certainty and transparency going forward regarding repurchase requests and assure that Freddie Mac's loan portfolio is of a high quality.

In addition to this Bulletin, we are also issuing an Industry Letter today, which describes some of the quality control processes currently in place, as well as possible changes to our quality control processes that will likely result from our implementation of this new representation and warranty framework. The September 11, 2012 Industry Letter is not part of the Purchase Documents and is meant to provide Sellers with a preview of how the new framework is expected to impact aspects of our quality control processes.

In adopting this new framework, we are not modifying the representations and warranties currently in effect, nor are we discharging Sellers from responsibility for underwriting and delivering quality Mortgages in accordance with the requirements of the Purchase Documents. In addition, this framework does not affect any Servicing representations and warranties.

Overview

Under the new selling representation and warranty framework, once a Mortgage has established an acceptable payment history and if it meets certain eligibility criteria, all as described in new Guide Section 6.14, *Enforcement of Representations and Warranties Related to Underwriting of the Borrower, Mortgaged Premises and Project*, and more fully below, Freddie Mac will not exercise its remedies, including the issuance of a repurchase request, in connection with the Seller/Servicer's breaches of certain selling representations and warranties set forth in the Guide, enumerated in Attachment A, *List of Guide Chapters and Sections Affected by New Representation and Warranty Framework*, to this Bulletin, relating to:

- The underwriting of the Borrower, which includes the Seller's assessment of the Borrower's loan terms, credit history, employment and income, assets, and other financial information used for qualifying the Borrower for the Mortgage
- The underwriting of the Mortgaged Premises, which is the analysis of the description and valuation of the Mortgaged Premises to determine its adequacy as collateral for the Mortgage
- The underwriting of the project in which the Mortgaged Premises is located, which is the analysis of the Planned Unit Development (PUD) or Condominium Project

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective only for Mortgages with Freddie Mac Settlement Dates on and after **January 1, 2013**.

ELIGIBLE MORTGAGES

To be eligible for the new selling representation and warranty framework, a Mortgage must:

- Have a Freddie Mac Settlement Date on or after January 1, 2013
- Have an acceptable payment history by meeting the following:
  - For Mortgages other than Freddie Mac Relief Refinance Mortgages℠:
    - The Borrower had no 30-day or greater Delinquencies during the first 36 months following the Freddie Mac Settlement Date, or
    - The Borrower (i) had no more than two 30-day Delinquencies, and no 60-day or greater Delinquencies, during the first 36 months following the Freddie Mac Settlement Date, and (ii) was current as of the 60th month following the Freddie Mac Settlement Date
  - For Relief Refinance Mortgages:
    - The Borrower had no 30-day or greater Delinquencies during the first 12 months following the Freddie Mac Settlement Date, or
    - The Borrower (i) had no more than two 30-day Delinquencies, and no 60-day or greater Delinquencies, during the first 36 months following the Freddie Mac Settlement Date, and (ii) was current as of the 60th month following the Freddie Mac Settlement Date

  The Mortgage must not have been subject to a forbearance agreement, repayment plan, or otherwise have been modified from its original terms during the first 12, 36 or 60 months following the Freddie Mac Settlement Date, as applicable, based on the acceptable payment history described above.

  In addition, in connection with the payment history above, with the exception of temporary subsidy buydown arrangements permitted by the Purchase Documents, neither the Seller/Servicer nor any third party may escrow or advance funds to be used for payment of any monthly installment, principal, interest or other charge payable under the terms of the Mortgage.
- Be a conventional Mortgage delivered to Freddie Mac through a flow purchase contract (that is, not sold through the bulk path)

- Not be a Mortgage that Freddie Mac and the Seller/Servicer have agreed is subject to any credit enhancement other than primary mortgage insurance
- Not have an outstanding request for a repurchase, a repurchase alternative or a make-whole

NOTE: Unless otherwise agreed to by Freddie Mac and the Seller/Servicer, once a Mortgage has qualified for the new representation and warranty framework by compliance with the requirements above, its eligibility for the new framework is final and irrevocable subject to the life of loan exclusions.

EXCLUSIONS – LIFE OF LOAN SELLING REPRESENTATIONS AND WARRANTIES

For Mortgages that have an acceptable payment history and meet the other conditions and requirements described above, the Seller/Servicer will not be relieved from Freddie Mac's enforcement of its representations and warranties with respect to the following matters, even if such issues are referenced in the Guide sections specified in Attachment A. Instead, the Seller/Servicer will be responsible for all such representations and warranties for the life of the loan.

Charter matters

Each Mortgage must be eligible for purchase under the Freddie Mac Charter Act ("Charter") in the following respects:

- The Mortgage must be secured by a residential property that is located within any of the 50 States, the District of Columbia, Guam, Puerto Rico or the U.S. Virgin Islands at the time of Freddie Mac's purchase, as set forth in Section 22.18, *Location of the Mortgaged Premises*, and the definition of a State in the Glossary
- The original unpaid principal balance of the Mortgage must not exceed the maximum original loan amounts set forth in Sections 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, and L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*
- The Mortgage must not be secured by vacant land or property primarily used for agriculture, farming or commercial enterprise at the time of Freddie Mac's purchase
- The Mortgage must be secured by a residential property consisting of 1-4 dwelling units at the time of Freddie Mac's purchase
- Any Mortgage with a loan-to-value (LTV) ratio in excess of 80% at the time of Freddie Mac's purchase must (i) have mortgage insurance on the portion of the Mortgage in excess of 80% of the property's value (determined in accordance with Section 27.1, *Mortgage Insurance*, or in the case of Relief Refinance Mortgages, meet the applicable mortgage insurance requirements in the Guide), (ii) be sold with recourse, within the meaning of Section 11.10(a), or (iii) be sold on a participation basis

Example

An illustrative example of a breach of a Charter requirement includes, but is not limited to, a Mortgage secured by a property that consists of a primary residence and a dairy farm, resulting in the property having significant nonresidential use.

Misstatements, misrepresentations, omissions and data inaccuracies

The Mortgage must not have any misstatement, misrepresentation or omission, by any party (including, but not limited to, the Seller, Borrowers, property sellers, builders, real estate agents, lenders, mortgage brokers, loan officers, originators, appraisers, appraisal companies, closing agents, title companies or other third party vendors) pertaining to the requirements described in the chapters and sections of the Guide set forth in Attachment A, that:

- Involved two or more Mortgages or related real estate transactions, and
- Was made by two or more of the aforementioned parties

The Seller's knowledge of the misstatement, misrepresentation or omission is irrelevant.

Additionally, the Mortgage must not have any Uniform Loan Delivery Dataset (ULDD) data inaccuracies pertaining to the requirements described in the chapters and sections of the Guide set forth in Attachment A, if, and to the extent:

- Such ULDD data differs from the information documented in the Mortgage file which was used by the Seller to determine Mortgage eligibility
- The information documented in the Mortgage file indicates that the Mortgage was not eligible for purchase by Freddie Mac, and
- Multiple Mortgages are involved

NOTE: Prior to satisfaction of the applicable payment history requirements, Mortgages are subject to Freddie Mac's standard requirements related to misrepresentation, misstatements and omissions as described in the Guide.

Seller/Servicers continue, at all times, to be responsible for any misrepresentation, misstatement and omissions in connection with matters not addressed in the chapters and sections of the Guide set forth in Attachment A.

Examples

The following examples illustrate some instances of misstatements, misrepresentations, omissions or data inaccuracies:

- An omission where the Seller/Servicer may be required to repurchase the Mortgage(s) even though the Mortgage is otherwise eligible for relief:
  - A realtor and a property developer decide that in order to sell several new homes faster, they would provide several Borrowers with a $15,000 rebate paid outside of closing that would not be disclosed in the sales contract or HUD-1 Settlement Statement. This practice is in violation of Freddie Mac's interested party contribution requirements. The Seller/Servicer must repurchase the Mortgages, in this instance, if requested, even if 36 timely payments were made and the Mortgages are otherwise eligible for relief, because this omission involved two or more Mortgages and related real estate transactions and was made by two or more of the parties involved.
- A misrepresentation where the Seller/Servicer will not be required to repurchase the Mortgage:
  - A Borrower borrows $10,000 from his friend as part of a down payment on a home. He has promised to pay his friend back with interest. The Borrower provides a falsified gift letter to the Seller. After 36 timely payments, the Seller/Servicer would not be required to repurchase the loan even if the Seller/Servicer subsequently discovered that part of the down payment was borrowed because the Borrower's misrepresentation to the Seller affected only one loan.
- Data inaccuracies:
  - As a result of a system upgrade, a coding error is introduced into a Seller's system such that the Indicator Score is incorrectly calculated and the Seller reports inaccurate Indicator Scores at loan delivery. A review of the credit reports in the Seller's origination files shows that for multiple Mortgages the actual Indicator Scores were lower than those reflected in the data provided at delivery and the actual Indicator Scores did not meet Freddie Mac's eligibility requirements. The Seller would be responsible for remedying the systemic error, and may be required to repurchase the affected loans.
  - The Seller significantly reduces its data delivery quality control staff and as a result, multiple Mortgages are delivered as eligible condominiums when the Mortgages were not eligible for delivery. The Seller is responsible for maintaining adequate staff and system controls to ensure that the loan-level data that is being reported to Freddie Mac (and ultimately mortgage loan investors) is true, correct, and complete. The Seller would be responsible for remedying the systemic error, and may be required to repurchase the affected Mortgages.

- Fraudulent conduct where the Seller/Servicer will be required to repurchase the Mortgage because the matter is not addressed in the chapters and sections of the Guide set forth in Attachment A:
  - A Seller delivers a Mortgage to Freddie Mac. The Seller then sells the same Mortgage to another investor. Freddie Mac, upon discovery of the double sale, requires the Seller to repurchase the Mortgage even though the Mortgage is otherwise eligible for representation and warranty relief.

Clear title/First Lien priority

The Mortgage must be enforceable as a First Lien (with no pending condemnation proceedings) and have clear title through foreclosure.

Examples

Illustrative examples of a breach of these First Lien enforceability requirements include, but are not limited to, the following:

- Another party, such as a warehouse lender, asserts a claim to or interest in the loan
- Freddie Mac is unable to obtain clear title to the property because it is not in First Lien position
- The Seller fails to properly endorse the Note or to adhere to requirements for the use of powers of attorneys
- A Mortgage is delivered to Freddie Mac with a Property Assessed Clean Energy (PACE) loan secured by the property and the Mortgage does not meet Freddie Mac's eligibility requirements for Mortgages delivered with PACE loans
- Improvements that were included in the appraised value of the property do not fall completely within the property's boundaries or building restriction lines and were not otherwise permitted encroachments as described in Section 39.4, *Acceptable Exceptions to Title Insurance or to Attorney's Opinion of Title*
- A Mortgage encumbered with a private transfer fee covenant prohibited by 12 C.F.R. Part 1228 is delivered to Freddie Mac

Compliance with laws

The Mortgage must comply with all applicable federal, State and local laws, ordinances, regulations and orders, including, without limitation, State anti-predatory lending laws and regulations.

Examples

Illustrative examples of a breach of these compliance with laws requirements include, but are not limited to, the following:

- The appraisal for a Mortgage does not conform to Guide Exhibit 35, *Appraiser Independence Requirements*, or the Uniform Standards of Professional Appraisal Practice (USPAP)
- A Mortgage is secured by a unit in a Condominium Project that was not created in compliance with applicable State law
- A Mortgage has a Borrower that is a living trust that was not formed in accordance with applicable law
- A Texas Equity Section 50(a)(6) Mortgage was not originated in accordance with Texas law

Mortgage product eligibility

The Mortgage must be a Mortgage product eligible for sale to Freddie Mac. The Seller/Servicer will not be relieved of Freddie Mac's enforcement of its representations and warranties for ineligible Mortgage products, including, but not limited to, the following:

- A Mortgage with an interest-only feature
- An ineligible ARM

- A Mortgage originated with stated or no income and/or asset documentation

QUALITY CONTROL REVIEW OF PERFORMING MORTGAGES

If Freddie Mac performs a quality control review of a performing Mortgage prior to the Borrower meeting the acceptable payment history requirements described above, and determines that it is not acceptable quality (i.e., does not meet the requirements of the Seller's Purchase Documents), Freddie Mac will communicate to the Seller/Servicer whether the Mortgage will require action on the part of the Seller/Servicer and/or will continue to be eligible for representation and warranty relief going forward.

AUTOMATIC REPURCHASE TRIGGERS

Any Mortgage for which no scheduled payments were made for the first three months after the Freddie Mac Settlement Date (i.e., the Borrower is 90 days delinquent) will be subject to a repurchase request. However, a Seller/Servicer may appeal the repurchase request by providing documentation that an extenuating circumstance caused the Borrower to default. Freddie Mac in its sole discretion may agree to rescind the repurchase request after a loan file review to determine that the loan otherwise meets Freddie Mac's requirements.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact Sections 6.14 and 72.1, *Repurchases Required by Freddie Mac*.

TRAINING

We encourage you to attend our new webinar, *Representation and Warranty Framework*, available on Freddie Mac's Learning Center.

Information is available at:
http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=NRWF

CONCLUSION

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

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

List of Guide Chapters and Sections Affected by New Representation and Warranty Framework

Effective for Mortgages with Freddie Mac Settlement Dates on and after January 1, 2013

For Mortgages (including Mortgages sold on a flow basis pursuant to negotiated provisions) that have an acceptable payment history and meet the other conditions, requirements and exclusions described in the Bulletin, Freddie Mac will not exercise its remedies, including the issuance of a repurchase request, in connection with the Seller/Servicer's breaches of representations and warranties related to the underwriting of the Borrower, the Mortgaged Premises and the project in which the Mortgaged Premises is located, as more fully described in this Bulletin and as set forth in the following provisions of the Guide. (NOTE: This includes the following provisions of the Guide as amended by the Seller's Purchase Documents, if applicable.)

Guide chapter/section	Title of chapter or section and where noted, exclusions to provisions in the chapter/section **Note:** Where the following provisions of the Guide contain references to requirements located in other chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the section where the requirement is located is included below.
Section 2.2.1	Introduction to Loan Prospector®
Section 2.9	Assumption of Mortgage
Section 22.2	Investment Quality Mortgage With the exception of the Mortgage being adequately secured by real property
Section 22.5	Term With the exception that the Mortgages must not have an original maturity that exceeds 40 years from the Origination Date or the Effective Date of Permanent Financing for Construction Conversion or Renovation Mortgages
Subsection 22.6(c)	Collateral Documentation: Settlement Dates More than 120 Days after the Note Date
Section 22.16	Occupancy
Section 22.20	No circumstances Adversely Affecting Value of Mortgage
Section 22.22	Second Home Mortgages
Section 22.22.1	Investment Property Mortgages
Section 22.23	Inclusionary Zoning
Section 22.24	Purchase Requirements for Mortgages Secured by Properties without Resale Restrictions (Nonrestricted Properties)
Section 22.25	Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions (Restricted Properties)
Section 22.26	Impact of Contaminated Sites
Section 22.30	Blanket Mortgages
Chapter 23	Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios
Chapter 24	Refinance Mortgages

Guide chapter/section	Title of chapter or section and where noted, exclusions to provisions in the chapter/section **Note:** Where the following provisions of the Guide contain references to requirements located in other chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the section where the requirement is located is included below.
Chapter A24	Freddie Mac Relief Refinance Mortgages℠ – Same Servicer with LTV ratios greater than 80%
Chapter B24	Freddie Mac Relief Refinance Mortgages℠ – Open Access
Chapter C24	Freddie Mac Relief Refinance Mortgages℠ – Same Servicer with LTV ratios less than or equal to 80%
Chapter 25	Secondary Financing and Other Financing Agreements With the exception of the requirements that for any Mortgage with a buydown plan, the initial interest rate may not be more than 3% below the Note Rate and the buydown plan may not extend for more than 3 years
Chapter 26	Borrower Funds
Subsection 27.1.1(a)	Financed premiums (mortgage insurance premiums)
Subsection 30.16(b)	Calculating Borrower ratios for ARMs
Chapter 32	Special Eligibility Requirements for Seller-Owned Converted and Seller-Owned Modified Mortgages
Chapter C33	A-minus Mortgages
Chapter E33	Affordable Merit Rate Mortgages
Chapter F33	Financed Permanent Buydown Mortgages
Chapter H33	Manufactured Homes With the exception of subsections H33.2(a) and (b) regarding the characteristics and requirements of a Manufactured Home
Chapter K33	Construction Conversion and Renovation Mortgages
Chapter L33	Super Conforming Mortgages
Chapter A34	Home Possible® Mortgages
Chapter 37	Underwriting the Borrower
Chapter 41	Special Warranties for Leasehold Estates With the exception of subsection 41.1(b) regarding warranties for leasehold Mortgages

Guide chapter/section	Title of chapter or section and where noted, exclusions to provisions in the chapter/section **Note:** Where the following provisions of the Guide contain references to requirements located in other chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the section where the requirement is located is included below.
Chapter 42	Special Requirements for Condominiums With the exception of: ■ Section 42.2 relating to project insurance requirements ■ Section 42.2 relating to title insurance ■ Section 42.2 relating to project ownership ■ Subsection 42.3(a) Project subject to federal or State securities regulations ■ Subsection 42.3(b) Hotel/Resort Projects ■ Subsection 42.3(d) Project with non-incidental commercial space ■ Subsection 42.3(e) Common-interest apartment project ■ Subsection 42.3(f) Project with fragmented or segmented ownership ■ Subsection 42.3(g) Timeshare project ■ Subsection 42.3(h) Houseboat project ■ Subsection 42.3(n) Continuing Care Retirement Community (CCRC) ■ Subsection 42.6(f) Compliance with laws ■ Subsection 42.6(g) Limitations on ability to sell/Right of first refusal ■ Subsection 42.6(i) Mortgagee consent ■ Subsection 42.6(j) Rights of Condominium mortgagees and guarantors
Chapter 43	Special Warranties for Planned Unit Developments With the exception of subsection 43.2(b) relating to insurance requirements
Chapter 44	Appraisals, Inspections and the Property Inspection Alternative With the exception of: ■ Subsection 44.2(a) Residential requirements ■ Subsection 44.3(a) relating to Exhibit 35, Appraiser Independence Requirements ■ Section 44.4 relating to the USPAP

Freddie Mac
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Industry Letter

To: Freddie Mac Sellers and Servicers September 11, 2012

SUBJECT: FREDDIE MAC'S QUALITY CONTROL PROCESS

Today Freddie Mac issued *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2012-18 announcing that it will implement a new selling representation and warranty framework effective for Mortgages with Freddie Mac Settlement Dates on and after **January 1, 2013**, provided the Mortgages meet an acceptable payment history and meet certain other conditions and requirements. Under the new framework, Freddie Mac will not pursue enforcement of its remedies in connection with the Seller's breach of certain enumerated representations and warranties that generally relate to the underwriting of the Borrower, the Mortgaged Premises and the projects in which the Mortgaged Premises are located.

Integral to the new selling representation and warranty framework is the quality control review process and enforcement in connection with violations through issuance of repurchase requests or other remedies. In recognition of our continuing need to ensure that the Mortgages we purchase are originated in accordance with applicable underwriting standards, as well as our Seller/Servicers' desire for enforcement transparency and predictability, we are reinforcing our commitment to:

- Viewing loans on a comprehensive basis by evaluating the entirety of the loan file with a primary focus of identifying significant underwriting deficiencies
- Providing Sellers with detailed and timely feedback on their origination process with the emphasis on significant/systemic origination deficiencies
- Providing Sellers the opportunity to resolve loan repurchase requests through an appeal process

QUALITY CONTROL SAMPLING AND SAMPLING METHODOLOGY

Under our core performing loan sample process and strategy, we select a random sample of new loan deliveries that ensures statistical validity. This random sample is augmented with targeted sampling.

- **Random sampling**

  Based on the current quality of the Mortgages sold to us, the tools we have developed for assessing loan eligibility, and our desire to minimize operational obstacles for our Sellers, we do not anticipate any material change to our quality control random sampling and review strategy in the near future.

- **Targeted sampling**

  We expect to increase our performing loan targeted samples as we implement new technology and data-gathering tools to analyze loan-level data. As a matter of practice, Freddie Mac makes adjustments to its sampling based on the risk characteristics of the Mortgages it purchases and anticipates continuing to do so under the new representation and warranty framework. Our targeted sample consists of two categories: loan-level and lender-level.

  - **Loan-level:** Tools such as Loan Prospector®, the recently-implemented Uniform Loan Delivery Dataset (ULDD), and the electronic appraisal submission of the Uniform Appraisal Dataset (UAD) through the Uniform Collateral Data Portal® (UCDP®) will enable Freddie Mac to identify loans with characteristics that merit further scrutiny
  - **Lender-level:** The quality of the loans delivered by a particular Seller/Servicer to Freddie Mac will impact the size of that Seller/Servicer's targeted sample

We anticipate that our non-performing loan sample process and review strategy will remain as currently communicated. However, as Freddie Mac consumes and analyzes more loan data, Sellers can expect to see adjustments in the level of quality control files requested and reviewed by Freddie Mac for performing loans as early as April 2013.

REVIEW PROCESS

The loan samples are reviewed by quality control underwriters who analyze loans on a comprehensive basis by evaluating the entirety of the loan file and the applicable Purchase Documents. The primary focus of the review is to identify significant underwriting deficiencies.

Freddie Mac's comprehensive review includes consideration of the Borrower's ability to repay the loan and an in-depth analysis of the credit and capacity of the Borrower, as well as the underlying collateral. When reviewing loans in their entirety, there may be instances where certain characteristics may be deemed deficient, but when considered with other loan features, the loan may be considered overall to be acceptable quality.

If, in connection with a quality control review of a performing Mortgage that is undertaken prior to the Borrower meeting the payment history requirements of the new representation and warranty framework, it is concluded that the Mortgage is not acceptable quality (i.e., does not meet the requirements of the Seller's Purchase Documents), Freddie Mac will communicate to the Seller/Servicer whether the Mortgage will require action on the part of the Seller/Servicer and/or will continue to be eligible for representation and warranty relief going forward.

QUALITY CONTROL REVIEW RESULTS AND REPURCHASE PROCESS

Based on the quality control review, Seller/Servicers can expect Freddie Mac to follow the request and appeal process described below with respect to defective loans.

- **Repurchase requests**

  When Freddie Mac identifies a defective Mortgage, it issues a repurchase letter, which describes the defects that render the Mortgage ineligible for purchase by Freddie Mac. The defects that would give rise to a repurchase request consist of errors or failures that would have resulted in Freddie Mac's refusal to purchase the loan at the time of delivery. Some individual defects are significant in and of themselves; in other cases, a Mortgage file may present a layering of deficiencies that, when considered comprehensively, make the Mortgage unacceptable.

- **Appeal process**

  Freddie Mac will continue to maintain a process for Sellers to appeal repurchase requests. Under the appeal process, when Freddie Mac issues a repurchase letter for a particular Mortgage, the Seller is entitled to review and respond to the loan-level findings and to provide any required documentation to address the deficiencies identified in the repurchase letter, with the goal of resolving significant deficiencies. If Freddie Mac does not accept the initial appeal and the Seller discovers new information to support its contention that the Mortgage complies with the Purchase Documents, a second appeal will be permitted.

Freddie Mac, under the direction of the Federal Housing Finance Agency (FHFA), is collaborating with Fannie Mae to develop a consistent approach for the following, which will be announced in a future Bulletin:

- The new supporting documentation that must be submitted to Freddie Mac in connection with an initial or second repurchase appeal
- The types of remedies, as alternatives to repurchase, available to Freddie Mac in connection with defective Mortgages; the types of alternative remedies may include, but are not limited to, make-whole, recourse or share loss

TIMING

Freddie Mac time lines

Freddie Mac will perform certain quality control functions within the time frames described below.

- **Requesting the file:** Mortgages are generally selected for performing loan review from the loans that were sold to us during the previous month, and we anticipate requesting Mortgage files between 30 and 120 days after loan purchase
- **Completing the review:** Our goal is to complete performing loan file reviews and provide Sellers/Servicers with notice of any deficiencies within 90 days of our receipt of the entire Mortgage file

Seller/Servicer time lines

Freddie Mac, under the direction of FHFA, is collaborating with Fannie Mae to develop consistent time lines for the following, which will be announced in a future Bulletin:

- The time frame within which a Seller/Servicer must provide the complete Mortgage file requested by Freddie Mac (likely to be 30 days after the first file request is made and 60 days after the second file request is made)
- The time frame within which a Seller/Servicer is entitled to appeal a repurchase (likely to be 60 days after the repurchase request)
- The time frame after denial of a repurchase appeal within which a Seller/Servicer must either repurchase the loan or file a second appeal with new supporting documentation (likely to be 15 days after repurchase appeal denial)

ONGOING COMMUNICATIONS AND CALIBRATION

Freddie Mac will continue to provide Sellers with ongoing communication about their overall quality control performance, including identifying repurchases by defect types and reporting frequent or common defects. This information is provided through a variety of methods that range from regular e-mailed reports to more formal periodic discussions. Our goal is to engage our Sellers in frequent, meaningful exchanges of information on quality trend analyses and significant underwriting deficiencies we have identified through our review process.

Freddie Mac requires that Sellers have strong underwriting processes and, as necessary, will help develop action plans to improve underwriting quality.

For its larger Sellers, Freddie Mac developed and administers a quality control calibration pursuant to which Freddie Mac and the particular Seller each perform a quality control review of a sample of loans and compare their respective results. The goal of this effort is to strengthen the alignment between Freddie Mac and its larger Sellers on what constitutes a significant underwriting deficiency, and to ensure both parties have a clear understanding of underwriting philosophy and how this applies to loan-level findings.

QUALITY CONTROL TRACKING AND MONITORING

Freddie Mac will continue to enhance its internal quality control tracking and monitoring processes. This will enable Freddie Mac to review repurchase events and to make appropriate adjustments to policies and practices if it is determined that the quality control process is not consistent with its established policies and practices.

Freddie Mac also monitors the performance of its underwriters by auditing a monthly sample of their underwriting decisions to ensure strong governance of the quality control process and to reinforce the focus on finding significant loan deficiencies. The auditing of Freddie Mac's underwriters is administered and managed by a stand-alone unit that is managed outside of the quality control organization.

CONCLUSION

Seller/Servicers that have questions about this announcement should contact their Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2012-19

TO: Freddie Mac Sellers September 14, 2012

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making changes to the requirements for Freddie Mac Relief Refinance Mortgages[SM], including those announced in our press release on July 31, 2012. Changes include:

- Aligning our eligibility requirements for Relief Refinance Mortgages with loan-to-value (LTV) ratios less than or equal to 80% with requirements for Mortgages with LTV ratios greater than 80%
- Making certain enhancements to our requirements for Relief Refinance Mortgages – Open Access

We are also making the following other changes to our selling requirements:

- Announcing that we will no longer purchase Balloon/Reset Mortgages
- Updating Guide Section 24.2, *General Requirements for All Refinance Mortgages*, to reflect that at least one Borrower on the refinance Mortgage must have held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12-month period
- Updating and revising our requirements for the Freddie Mac Selling System ("Selling System") Servicing Released Sales Process

EFFECTIVE DATE

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

RELIEF REFINANCE MORTGAGES

Sellers should review Guide Chapters A24, *Freddie Mac Relief Refinance Mortgages[SM] – Same Servicer with LTV Ratios Greater than 80% (*renamed *Freddie Mac Relief Refinance Mortgages[SM] – Same Servicer* effective November 19, 2012), B24, *Freddie Mac Relief Refinance Mortgages[SM] – Open Access*, and C24, *Freddie Mac Relief Refinance Mortgages[SM] – Same Servicer with LTV Ratios Less than or Equal to 80%*, to ensure they have an understanding of the revised requirements summarized below.

Relief Refinance Mortgages – Same Servicer

Effective for Mortgages with Application Received Dates on or after November 19, 2012

We are aligning our eligibility requirements for Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80% with our requirements for Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80%. As a result, the following requirements apply regardless of the LTV ratio of the Mortgage:

- The Seller is not required to represent and warrant that the Mortgage being refinanced met Freddie Mac eligibility requirements related to Borrower creditworthiness, any other underwriting requirements, value, condition and marketability of the Mortgaged Premises and certain fraud requirements

- The proceeds of the new Mortgage must be used only to pay off the first Mortgage, pay related Closing Costs, Financing Costs and Prepaids/Escrows not to exceed the lesser of 4% of the current unpaid principal balance (UPB) or $5,000, and disburse cash to the Borrower not to exceed $250
- The new Mortgage does not have to represent the same occupancy as the Mortgage being refinanced
- The Seller is not required to provide the file for the Mortgage being refinanced to Freddie Mac Quality Control, unless requested by Freddie Mac
- Verification of funds for closing is not required unless the Borrower is qualified for the new Mortgage (e.g., when the principal and interest payment is increasing by more than 20%)

Effective immediately, we are making the following additional changes to our Relief Refinance Mortgage – Same Servicer requirements:

- Reducing income and asset documentation and evaluation requirements when the Borrower is qualified for the new Mortgage
- Permitting the Seller to verify reserves equal to 12 monthly payments of principal, interest, taxes and insurance (PITI) for the new refinance Mortgage in lieu of verifying a source of income. We are also clarifying that income sources must be eligible sources of income as stated in Section 37.13, *Stable Monthly Income and Asset Qualification Sources*.
- For Mortgages where a Borrower is being omitted from the Note:
  - Adding an option to qualify the remaining Borrower(s) for the new Mortgage in lieu of providing evidence of the Borrower making payments for the past 12 months; and
  - Removing the requirement that the Borrower(s) being omitted also must be removed from the deed and retain no ownership interest in the Mortgaged Premises

We are updating Chapters A24 and C24 to reflect the changes that are effective immediately. As a result of the alignment of requirements for all LTV ratios, Chapter C24 will be retired effective for Mortgages with Application Received Dates on or after **November 19, 2012**.

Relief Refinance Mortgages – Open Access

Effective immediately, in an effort to assist Sellers in managing capacity, improve efficiency and increase the offering's reach to eligible Borrowers, we are revising our Relief Refinance Mortgage – Open Access requirements as follows:

- Reducing income and asset documentation and evaluation requirements. For example, the Seller is not required to establish stability of income, including documenting its two-year history and determining reasonable expectation of continuance, or to evaluate account statements for large deposits and provide proof of liquidation of funds from non-depository accounts.
- No longer requiring that Mortgages secured by Investment Properties and second homes comply with the requirements related to the number of financed properties in Sections 22.22.1, *Investment Property Mortgages*, and 22.22, *Second Home Mortgages*, respectively
- No longer requiring the Seller to establish that a Condominium Project meets Freddie Mac's eligibility requirements, except that the Seller must represent and warrant the project is not a Hotel/Resort Project or houseboat project, a timeshare project, or a project with fragmented or segmented ownership. The project must have insurance that meets the applicable requirements.
- Removing the requirement that the Borrower(s) being omitted from the Note also must be removed from the deed and retain no ownership interest in the Mortgaged Premises

In addition, effective for Mortgages with Application Received Dates on or after **November 19, 2012**, the Mortgage proceeds of all Relief Refinance Mortgages – Open Access must be used only to pay off the first Mortgage, related Closing Costs, Financing Costs and Prepaids/Escrows not to exceed the lesser of 4% of the current UPB or $5,000, and disburse cash to the Borrower not to exceed $250. This change is a

component of the alignment of requirements for Mortgages with LTV ratios less than or equal to 80% with requirements for Mortgages with LTV ratios greater than 80%.

Property valuation for Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access

Effective immediately, when an appraisal is obtained for a Relief Refinance Mortgage – Same Servicer or Relief Refinance Mortgage – Open Access, the following requirements apply:

- The Seller is not responsible for the representations and warranties regarding the value, condition and marketability of the Mortgaged Premises
- Freddie Mac will accept appraisal reports with a Uniform Appraisal Dataset (UAD) condition rating of C5 or C6 and/or a UAD quality rating of Q6 completed on an "as-is" basis; the appraisal does not have to be completed "subject to" needed repairs being completed
- The Seller is not responsible for the completeness and accuracy of the appraiser's description of the Mortgaged Premises, and the accuracy of, and support for, the appraiser's opinion of market value of the Mortgaged Premises

Loan Prospector®

Loan Prospector feedback messages needed to support changes to Relief Refinance Mortgages – Open Access will be updated at a later date. Sellers will be notified when the changes are implemented. Until then, Sellers may apply the revised requirements stated above, as described in more detail in Chapter B24, and disregard the related feedback messages to the contrary. In addition, enhancements to Loan Prospector scheduled to go into effect shortly are expected to help more eligible Borrowers refinance through Relief Refinance – Open Access.

New representation and warranty framework reminder

In addition to the various enhancements to Relief Refinance Mortgages announced in this Bulletin, we are reminding Sellers of the new representation and warranty framework announced in Bulletin 2012-18, which provides for relief of certain representations and warranties for Relief Refinance Mortgages once the Mortgage establishes an acceptable payment history and if it meets certain eligibility criteria, as more fully described in Chapter 6, *General Warranties and Responsibilities of the Seller/Servicer*. The new framework is effective for Mortgages with Settlement Dates on or after January 1, 2013.

BALLOON/RESET MORTGAGES

Effective for Mortgages with Settlement Dates on or after January 1, 2013

Freddie Mac will no longer purchase Balloon/Reset Mortgages. Chapter 33, *Special Eligibility Requirements for Balloon/Reset Mortgages*, will be deleted and other applicable Guide chapters and exhibits will be revised to reflect this change.

Notice of changes to negotiated provisions

Pursuant to Section 12.3(d), negotiated provisions in Master Agreements and/or Master Commitments are amended effective for Mortgages with Settlement Dates on or after January 1, 2013 to reflect the retirement of Balloon/Reset Mortgages announced in this Bulletin.

GENERAL REQUIREMENTS FOR ALL REFINANCE MORTGAGES

We have updated Section 24.2 to reflect that at least one Borrower on the refinance Mortgage must have held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12-month period. This updated language is now consistent with the other requirements within the section.

SELLING SYSTEM SERVICING RELEASED SALES PROCESS

We have updated and revised our requirements for Sellers and Servicers participating in the Selling System Servicing Released Sales Process.

We have updated Section 9.9, *Requirements for the Servicing Released Sales Process*, to:

- Clarify that the "other adjustments" previously referred to in Section 9.9(c) are temporary subsidy buydown funds
- Update the Freddie Mac notice address for Sellers requesting to screen out Transferee Servicers in Section 9.9(e)
- Clarify in Section 9.9(i) that Freddie Mac performs quality control activities relating to the sale representations with the Seller

We have updated Section 18.3, *Contracting with a Document Custodian*, to highlight and clarify the special requirements for Mortgages sold through the Selling System Servicing Released Sales Process. Both the Seller and the Servicer, including any subsequent Transferee Servicer, must establish a relationship with the Designated Custodian. Servicers are responsible for associated Designated Custodian-assessed custodial fees, including, but not limited to, fees for Note Certification, safekeeping and release.

We have updated Section 56.15, *Liabilities of the Transferor Servicer and Transferee Servicer*, to clarify that if a subsequent Transfer of Servicing of Mortgages sold under the Servicing Released Sales Process occurs, the subsequent Transferee Servicer becomes liable for Servicing representations, covenants and warranties in the Purchase Documents with respect to the transferring Mortgages.

Effective for Mortgages sold under Cash Contracts with Settlement Dates on or after January 1, 2013, if the Mortgage is paid in full within 120 days, instead of 90 days, of the Servicer's purchase of the Servicing rights for such Mortgage, the Seller must refund 100% of the price paid by the Servicer for such Servicing rights. Guide Exhibit 28A, *Loan Servicing Purchase and Sale Agreement for the Servicing-Released Sales Process*, has been revised to reflect this requirement change.

In addition, Exhibit 28A has been revised to reflect requirements regarding the repurchase and quality control process, including, but not limited to, the requirement that the Seller's postclosing quality control sample includes Mortgages sold to Freddie Mac that become 60 days or more past due in the first six months following the Note Date, in accordance with Section 48.4(b). As required in Section 48.4(b), the Seller must carefully evaluate these Mortgages to determine the presence of any fraud or other deficiency. As provided in revised Exhibit 28A, the Servicer will notify the Seller of any such Mortgages.

REMOVAL OF GUIDE EXHIBITS 1 AND 2

We are deleting Exhibit 1, *Instructions for Completing the First-Time Homebuyer Indicator Field*, and Exhibit 2, *Loan Feature Code Letters*, because they relate to MIDANET® delivery requirements that are now outdated. We will be providing an updated Exhibit 1 reflecting instructions for First-Time Homebuyer Uniform Loan Data Delivery (ULDD) delivery requirements with a future Bulletin.

REMINDER: MORTGAGES ENCUMBERED WITH A PRIVATE TRANSFER FEE COVENANT INELIGIBLE FOR PURCHASE

To comply with the Federal Housing Financing Agency (FHFA) final rule issued March 16, 2012, in Bulletin 2012-11 Freddie Mac added Section 22.36, *Mortgages with Private Transfer Fee Covenants*, prohibiting the sale to Freddie Mac of Mortgages encumbered by certain private transfer fee covenants. Effective July 16, 2012, Mortgages on properties encumbered by private fee transfer covenants prohibited by 12 C.F.R. Part 1228 are ineligible for sale to Freddie Mac, if those covenants were created on or after February 8, 2011.

As a reminder, Freddie Mac may exercise any of its remedies under a Seller/Servicer's Purchase Documents for a breach of the representations and warranties regarding a Mortgage encumbered with a private transfer fee covenant prohibited by 12 C.F.R. Part 1228, including issuance of a repurchase request.

As further provided in Bulletin 2012-18, announcing the new representation and warranty framework **effective for Mortgages with Settlement Dates on and after January 1, 2013**, a Seller/Servicer is not relieved from Freddie Mac's enforcement of its representations and warranties with respect to Section 22.36 because they relate to First Lien enforceability; the Seller/Servicer remains responsible for such representations and warranties for the life of the loan.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters A1, 6, 8, 9, 11, 12, 13, B15, D15, 16, 17, 18, 22, 23, 24, A24, B24, C24, 25, 27, 33, B33, C33, F33, H33, L33, A34, 37, 42, 46 and 56
- Exhibits 1, 2, 4, 5, 17S, 19 and 28A
- 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,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Bulletin

NUMBER: 2012-20

TO: Freddie Mac Sellers and Servicers | October 3, 2012

SUBJECTS

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

BACKGROUND

At the direction of the Federal Housing Finance Agency (FHFA), Freddie Mac and Fannie Mae (the "Enterprises") have worked together to revise and develop a consistent framework for measuring Servicer performance, as well as for identifying Servicing-related violations and assigning remedies for such violations.

Certain requirements contained in this Bulletin that are related to general eligibility requirements or portfolio actions (i.e., Transfers of Servicing, suspension, disqualification and the termination of a Seller and/or Servicer) impact both Sellers and Servicers. We have identified those cross-impact requirements. Sellers and Servicers should review the Bulletin section titled "PORTFOLIO ACTIONS," as well as the related Guide sections to ensure they have an understanding of the requirements.

REQUIREMENTS

Bulletin 2011-13 announced the Freddie Mac Servicing Success Program, which redefined Freddie Mac's expectations for quality and responsible Servicing. The requirements announced in this Bulletin build on the success of that program, and, through our work with Fannie Mae, provide Servicers with greater clarity, consistency and transparency across the Enterprises on how Servicer performance will be measured. Further, this joint effort provides Servicers with a better understanding of the Servicing activities requiring greater focus, and the potential implications of noncompliance with each Enterprise's requirements through consistency in the application of remedies.

Specifically, with this Bulletin we are:

- Revising the Servicer Success Scorecard criteria
- Providing repurchase and appeal time lines for Servicing violations
- Deleting, revising and adding compensatory fees
- Revising our requirements for Seller and/or Servicer terminations and Transfers of Servicing

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective **January 1, 2013**, unless otherwise noted.

SERVICER SUCCESS SCORECARD

The new Servicer Success Scorecard criteria will be effective with a Servicer's **January 1, 2013** performance. These performance results will be visible on the Servicer Performance Profile web site on **March 7, 2013**. We will provide a preview period during which our Servicers will be able to view their performance against the new criteria; we will notify Servicers when the preview period begins.

Servicers should begin to review their operations to determine what may need to be changed in order to meet our revised Servicer Success Scorecard criteria.

Certain Servicers will receive individual performance requirements from their Freddie Mac representatives in the fourth quarter of 2012. For such Servicers, their Freddie Mac representative will review the specific objectives and goals contained in their Servicer Success Account Plan and work with the Servicer to mitigate challenges and implement action plans for improvement.

Several of our current criteria have been revised to ensure consistency in measuring the activities and outcomes of importance to the Enterprises.

The following tables compare the current criteria to the revised criteria. While current and future criteria may be aligned in the table below, it should not be assumed that the calculation of the criteria will remain the same. Refer to Attachment A of this Bulletin, *Definitions for the Revised Servicer Success Scorecard Criteria*.

Investor reporting criteria

Current Criteria	Future Criteria
Cash Management	
Shortage Percentage	Shortage Percentage
Custodial Account Review	
Data Integrity and Operational Management	
% of Aged Applied Transactions in Error	Percent Hard Rejects* Over 90 Days Old
	Percent Soft Rejects** Over 90 Days Old
% of Applied Transactions in Error	Percent of Hard Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio
	Percent of Soft Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio
	Percent of Ending Hard Rejects to Total Loans in Portfolio
Average Age of Days to Report Payoffs	Average Number of Days to Report Payoffs

*** Hard rejects - Not cleared in the system and require Servicer intervention to correct**
**** Soft rejects - Rejects that were within the tolerance and automatically cleared by the system**

Although the performance results for the Custodial Account Review criteria will no longer appear on the Servicer Success Scorecard, Servicers will continue to be measured on their compliance with Freddie Mac's custodial account reconciliation requirements. A Servicer's performance results in the management of Freddie Mac's Custodial Accounts will be considered, together with other factors, in evaluating whether the Servicer's overall performance is unacceptable for purposes of Guide Section 5.2, *Disqualification or Suspension of the Seller or the Servicer*.

Further, as provided in Section 79.5, *Freddie Mac's Rights*, Freddie Mac reserves the right to request that the Servicer submit copies of Custodial Accounts and/or related Time Deposit records at any time. We will periodically review a Servicer's Custodial Account performance and will provide the Servicer with written review results.

Default management criteria

Current Criteria	Future Criteria
Loss Mitigation	
Early Collections Roll Rate	Transition to 60+
	60 to Worse
	90+ to Better
Late Collections Roll Rate	90+ to Worse
D60+ Workout to D60+ Inventory	Retention Efficiency
	Liquidation Efficiency
Workout Effectiveness	
	6-Month Performance
	12-Month Performance
	Timing of Liquidation Solutions
Default Timeline Management	
D90+ Loans Past Foreclosure Referral Standard	
	Loans Beyond FCL Sale Threshold
Inventory Past Standard	Avg Age Past FCL Sale Std

Data integrity

Current Criteria	Future Criteria
Initial Electronic Default Reporting (EDR) Edits	Initial Delinquency Reporting Edits
6th BD EDR Edits	Final Delinquency Reporting Edits
Accuracy of Due Date of Last Paid Installment (DDLPI) Reporting	Accuracy of DDLPI Reporting
Average Days to Report Foreclosure Sales	Timely REO Notifications

Definitions for each of the criteria on the Servicer Success Scorecard are set forth in Attachment A.

Servicers will be notified when weights are assigned to each criterion.

Reminder - Freddie Mac Servicer Success File Review criteria

For those Servicers that receive a File Review, performance results for the following criteria will continue to appear on the Servicer Success Scorecard:

- Prudent Servicing Review
- Short Sale Compliance Review
- Loan Modification Compliance Review

The requirements for Servicer Success File Reviews have not changed and can be found in Section 51.9.1, *Freddie Mac Servicer Success File Reviews*.

Other changes

Effective **October 3, 2012**, we have slightly revised Section 51.11, *Servicer Performance Criteria*, to clarify the factors Freddie Mac evaluates when determining whether a Servicer's overall performance is unacceptable for purposes of Section 5.2.

Complete Borrower Response Package (BRP) and Delinquency Improvement Performance Standard

The changes to the BRP Monthly Progress Report will be effective for Mortgages included in a collection period on or after **May 1, 2012**.

In addition to results based on the Servicer Success Scorecard criteria mentioned above, Servicers also receive other performance results through Default Reporting Manager[SM], including the "BRP Monthly Progress Report." This report, which reflects a Servicer's performance for each Delinquent Borrower Population measured during the collection period, will be amended to exclude completed repurchases from the Borrower response population to align with current industry practices. Servicers will be notified when the report has been updated.

Servicers are reminded that Default Reporting Manager is available through Freddie Mac's web site at **http://www.freddiemac.com/singlefamily/service/tools.html** and is accessible using a secure user ID and password. Instructions are available on FreddieMac.com.

Section 65.8, *Performance Standards*, has been updated to reflect this change.

REMEDIES

Mortgage record requests

As we continue to enhance the tools we use to analyze Servicing data and determine if Servicers are Servicing in accordance with Guide requirements, Freddie Mac will continue to request Mortgage records for the purpose of conducting Servicer Success File Reviews, as well as in connection with an audit or for any other purpose. As a result, Servicers may see an increase in such Mortgage record requests.

Servicers must deliver the requested Mortgage records within 30 days from the date of the request. Freddie Mac, in its sole discretion, may request the documentation in a shorter or longer period of time based upon the circumstances at the time.

A Servicer's failure to submit the requested Mortgage records within the time frame specified by Freddie Mac will be considered a violation of the Purchase Documents, and Freddie Mac will pursue all rights and remedies available under the Purchase Documents and applicable law.

Section 51.9, *Audits and Access to Mortgage Records*, has been amended to reflect these changes.

Curing a violation

If Freddie Mac identifies a Servicing violation and, in its sole discretion, determines that the violation of a Servicer's obligations may be cured, Freddie Mac may provide the Servicer an opportunity to cure such violation within a specified time period. In such a situation, the Servicer will be provided with written notification of the violation and the time period to cure such a violation. In such case, even if the Servicer cures the violation, Freddie Mac reserves the right to require the Servicer to indemnify Freddie Mac for any loss, damage or expense that it may sustain.

> For example, a lien may attach during the Servicing of a Mortgage so that Freddie Mac does not have clear title through foreclosure. If a Servicer is notified or otherwise becomes aware that there is such a title defect with a Mortgage, the Servicer must notify Freddie Mac and cure such defect. In accordance with the Purchase Documents, Freddie Mac may require the Servicer to repurchase Freddie Mac's interest in a Mortgage as a result of the title defect. However, Freddie Mac, in its sole discretion, may provide the Servicer with up to 90 days to cure a title defect from the date of Freddie Mac's letter notifying the Servicer of the violation and the time period to cure such a violation. As noted above, specific details regarding a cure for a violation, if applicable, will be provided in the notice of the defect sent to the Servicer by Freddie Mac.
>
> In this example, if the title defect is not resolved to Freddie Mac's satisfaction within 90 days from the date of Freddie Mac's letter notifying the Servicer of the violation, Freddie Mac may require the Servicer to repurchase the Mortgage.

Freddie Mac's determination as to whether the cure is sufficient is conclusive.

Repurchase and repurchase alternatives

Consistent with its customary practices, Freddie Mac may, in addition to any other remedy available at law or in equity, require a Servicer to repurchase Freddie Mac's interest in a Mortgage. Freddie Mac may, at its sole discretion, provide the Servicer with an alternative to the immediate repurchase of the identified Mortgage, such as payment of an amount determined solely by Freddie Mac, to indemnify or otherwise make Freddie Mac whole for any losses, expenses (including court costs and reasonable attorney fees) or other damages. If the Servicer does not comply with the terms of the repurchase alternative and does not remit payment or file an appeal, the repurchase alternative is rescinded and no longer available and Freddie Mac may then require repurchase.

Due to the evolution of the tools we use to measure performance, including the Servicer Success Scorecard and Servicer Success File Reviews, and the effort by the Enterprises to apply consistent remedies, Servicers that do not service Freddie Mac Mortgages in accordance with their Purchase Documents will continue to receive remedy requests, and those remedy requests may increase.

Time lines for repurchases and repurchase alternatives for Servicing violations

In the event Freddie Mac requires a Servicer to repurchase Freddie Mac's interest in a Mortgage, the Servicer must either repurchase Freddie Mac's interest in the identified Mortgage within 60 days of the date of Freddie Mac's request, or such other time frame as specified by Freddie Mac, or file an appeal.

Note we are reminding Servicers that Mortgages that are subject to repurchase include active Mortgages, inactive Mortgages and Real Estate Owned (REO) and all other post-foreclosure situations pursuant to the provisions of Section 72.3, *Repurchase Price*.

If Freddie Mac offers a Servicer an alternative to repurchase as described above, the Servicer must either remit payment or file an appeal within 60 days of Freddie Mac's request for payment. If Freddie Mac subsequently requests repurchase for the same Mortgage based upon the same Servicing violation, the appeal provisions of Section 72.6.1, *Appealing a Repurchase Request or Repurchase Alternative Issued Due to Servicing Violations*, shall not apply.

Appeals

Any appeal of Freddie Mac's repurchase request or repurchase alternative request must be made in accordance with the requirements of Section 72.6.1. Pursuant to that section, upon receipt of a repurchase or repurchase alternative request for one or more of the violations set forth in Section 72.1.1, *Repurchases and Repurchase Alternatives Required by Freddie Mac Due to Servicing Violations*, if a Servicer has additional supporting information and/or documentation that may affect Freddie Mac's decision, the Servicer may file an appeal.

The appeal process is as follows:

1. Within 60 days from the date of Freddie Mac's repurchase or repurchase alternative notification letter or within such other time frame as specified by Freddie Mac, the Servicer may submit a written appeal. If no written appeal is received within the 60-day period or within such other time frame as specified by Freddie Mac, we will assume the Servicer does not contest the request and will remit payment to Freddie Mac.
2. An appeal must be sent in writing to the Freddie Mac office referenced in Freddie Mac's letter
3. The appeal package must contain:
   - A statement of all relevant facts concerning the Servicing of the Mortgage
   - A statement of why Freddie Mac's decision should be reversed
   - Any available documentation supporting the basis for the appeal
4. Freddie Mac will review the appeal and advise the Servicer in writing of the appeal decision

5. If the appeal is denied, then:
   - The Servicer must repurchase or remit payment, as applicable, within 15 days from the date of Freddie Mac's denial letter or within such other time frame as specified by Freddie Mac, or
   - If new material information that was not available at the time of the first appeal becomes available after submission of the first appeal, the Servicer may submit an additional appeal of the request within 15 days from the date of Freddie Mac's denial. The appeal must contain the same information described above and be supported by the new material information. Freddie Mac, in its sole discretion, will determine whether to consider such additional appeal.

Sections 72.1.1 and 72.6.1 have been added to reflect these requirements.

Compensatory fees

In addition to any other Freddie Mac remedy specified in the Guide and the Seller/Servicer's other Purchase Documents, Freddie Mac may assess compensatory fees for violations of a Servicer's obligations with respect to Mortgages serviced on Freddie Mac's behalf. With this Bulletin we have revised, added and deleted certain compensatory fees as further described below. Guide Exhibit 96, *Servicing Incentives and Compensatory Fees*, has been revised to reflect these changes, together with the Guide sections identified below.

Balloon/Reset Mortgages

We are deleting the following Balloon/Reset Mortgage compensatory fees:

- Late Disposition
- Late Document Delivery
- Late Reset

Sections 78.51, *Contract Noncompliance and Contract Change*, A83.17, *Borrower Intention to Reset*, A83.54, *Reset Mortgage Package*, and A83.60, *Delivering Documents to Document Custodian*, have been updated to delete references to these compensatory fees.

Failure to use designated counsel or trustee when required

We are deleting the compensatory fee for a Servicer's failure to use a designated counsel or trustee when required. Until Freddie Mac publishes changes to its designated counsel program, Servicers must continue to adhere to the requirements in Section 66.15, *How to Select Foreclosure Counsel or Trustee*.

Section 66.15.1, formerly *Compensatory Fee for Failure to Use Designated Counsel or Trustee when Required*, has been renamed *Foreclosure Time Line Compensatory Fee Protection for Use of Designated Counsel or Trustee when Required*, and amended to delete references to this compensatory fee.

Research and reconstruction

We are deleting the research and reconstruction compensatory fee assessed when the Servicer does not maintain accurate Servicing records and requests research and/or reconstruction of data previously reported by the Servicer. Servicers are reminded of their obligation to maintain accurate Servicing records in accordance with Guide Chapter 52, *Mortgage File Retention*.

Section 78.51 has been updated to delete references to this compensatory fee.

Contract noncompliance and contract change

We are increasing the contract noncompliance and contract change compensatory fee from $100 per Mortgage to $500 per Mortgage when incorrect information is received from the Seller and/or Servicer and we must correct errors in our database in order to accurately reflect the Mortgage status and Borrower history of default. The database corrections include, but are not limited to, data transmitted through EDR and loss mitigation reporting errors.

Section 78.51 has been updated to revise this compensatory fee.

Reporting noncompliance compensatory fee (all loans)

Freddie Mac currently requires assessment of this compensatory fee if a Servicer failed to report all required information for at least 75% of the Mortgages that it services for Freddie Mac by the fifth Business Day after the accounting cycle cutoff. We have amended this compensatory fee so that it will be assessed on every Mortgage when the Servicer does not report the required information for at least **80%** of the Mortgages by the fifth Business Day after the accounting cycle cutoff, in the following amounts:

IF the noncompliance violation within a consecutive 12-month period is the Servicer's...	**THEN the reporting noncompliance compensatory fee is...**	**AND the Servicer...**
First violation	Greater of $250 or $50 per loan, up to $5,000 (previously $5,000)	
Second violation	Greater of $500 or $50 per loan, up to $10,000 (previously $10,000)	May be required to attend a reporting training seminar at the Servicer's expense
Third violation or more	Greater of $1,000 or $50 per loan, up to $15,000 (previously $15,000)	

Section 78.47.1, *Reporting Noncompliance Compensatory Fees – All Loans*, has been revised to reflect these changes.

REO rollback

A Servicer will be assessed a compensatory fee in an amount equal to $1,000 per occurrence for administrative costs plus any third-party costs, when a foreclosure sale occurs, but Freddie Mac must process an REO rollback. Freddie Mac will not reimburse foreclosure fees and costs for the improper foreclosure that resulted in an REO rollback.

Section 66.56, *Reporting Foreclosure Sale Results*, has been revised to reflect this change.

Electronic Default Reporting noncompliance

Effective April 1, 2013

The Electronic Default Reporting noncompliance compensatory fee, previously referred to as the reporting noncompliance compensatory fee, was assessed on a per unreported loan basis when a Servicer failed to report the delinquent loans it is Servicing for Freddie Mac through EDR, within the first three Business Days of a month. We have renamed this compensatory fee and revised the fee amounts as follows:

IF the noncompliance violation within a consecutive 12-month period is the Servicer's...	**THEN the noncompliance compensatory fee is...**	**AND the Servicer...**
First violation	Greater of $250 or $50 per loan, up to $5,000 (previously $250)	
Second violation	Greater of $500 or $50 per loan, up to $10,000 (previously $550)	May be required to attend a reporting training seminar at the Servicer's expense
Third violation or more	Greater of $1,000 or $50 per loan, up to $15,000 (previously $1,000)	

Section 78.47.2, *Electronic Default Reporting (EDR) Noncompliance Compensatory Fees*, has been revised to reflect these changes.

Cash remittance interest reimbursement

We assess the cash remittance interest reimbursement compensatory fee, formerly referred to as the late remittance interest reimbursement compensatory fee, when a Servicer fails to comply with the remittance requirements in Chapter 78, *Reporting and Remitting Requirements*. In addition to revising the name of this compensatory fee, we are introducing a tiered assessment approach. While Freddie Mac will continue to multiply the amount of the remittance shortage by the highest quoted prime rate printed on the first Business Day following the 15th of each month in the print edition of *The Wall Street Journal* in its regular column entitled "Money Rates" plus 3%, the compensatory fee will now be subject to the following minimum charges:

- First instance: No less than $250 in any given month
- Second instance: No less than $500 in any given month
- Third instance or more in 12 months: No less than $1,000 in any given month

Section 78.50, *Cash Remittance Interest Reimbursement Compensatory Fee*, has been amended to reflect these changes.

Late execution of REO repurchase

The late execution of REO repurchase compensatory fee was previously included in the late remittance interest reimbursement compensatory fee; however, we are separating this component of the fee for late remittances on Mortgages when our repurchase request is provided to a Servicer after foreclosure has been completed and the property has converted to an REO. For such late remittances, we will not apply the minimum charges that will be applied to the cash remittance interest reimbursement compensatory fee described above. For this violation, Freddie Mac will continue to multiply the amount of the remittance shortage by the highest quoted prime rate printed on the first Business Day following the 15th of each month in the print edition of *The Wall Street Journal* in its regular column entitled "Money Rates" plus 3%. There is a minimum charge of $50 on any late remittance.

Section 72.7, *Late Execution of REO Repurchase*, has been added to include this compensatory fee.

Aged data errors

The aged data errors compensatory fee will now be $100 per loan, per occurrence, not to exceed $15,000 in a given month, when a Servicer has an unresolved monthly loan-level reporting error for 90 days or more. Previously, Freddie Mac assessed a $250 compensatory fee per Servicer for each accounting cycle in which there were such unresolved monthly loan-level reporting errors.

Section 78.48, *Aged Data Errors Compensatory Fee*, has been revised to reflect this change.

Unauthorized Transfers of Servicing

In accordance with the requirements in Section 51.24, *Transfer of Servicing*, and Chapter 56, *Transfers of Servicing*, Servicers must obtain Freddie Mac's prior written approval for all Transfers of Servicing.

We are updating the Guide to add a new compensatory fee when unauthorized Transfers of Servicing occur. The amount of the compensatory fee will vary, but will not exceed 1% of Freddie Mac's share of the unpaid principal balance (UPB) of the Mortgages that are being transferred without Freddie Mac's prior written approval. The imposition of this compensatory fee does not limit Freddie Mac's right to suspend or disqualify the Transferor Servicer and purported Transferee Servicer, or to exercise any of its other rights under the Purchase Documents.

Sections 51.24 and 56.3, *Submitting Requests for Transfers of Servicing*, have been amended to reflect this new compensatory fee.

Unreported transactions and loan simulation

We are assessing a new compensatory fee of $100 per Mortgage when a Servicer fails to correct reporting errors by the end of the month minus four Business Days. Section 78.8, *Correcting Reporting Errors*, requires Servicers to monitor all Edit Error reports (Edits to be Cleared, System Cleared Edits, and Loan Level Missing) provided by Freddie Mac daily. If the Servicer discovers an error after it has transmitted its accounting reporting information, the Servicer must take immediate action to:

- Correct the source of the error
- Transmit a revision to Freddie Mac that reflects the Borrower's payment activity or disposition of the Mortgage
- Adjust remittances, if necessary

This fee will not be assessed if a Servicer has been assessed the reporting noncompliance (all loans) compensatory fee.

Section 78.47.3, *Unreported Transactions and Loan Simulation Compensatory Fee*, has been added to reflect this new compensatory fee.

Expense reimbursement curtailment

Freddie Mac currently has the right to deny a Servicer's request for reimbursement of expenses if Freddie Mac does not receive the Servicer's request within the required time frames specified in Section 71.13, *Claim Submission Types and Time Frames*. Effective with this Bulletin, Freddie Mac may curtail the reimbursement in lieu of denial of the reimbursement in its entirety if Freddie Mac does not receive the Servicer's request within the required time frames.

Section 71.12, *Freddie Mac's Rights*, has been updated to reflect this change.

Reminders to Servicers

A number of tools are available to Servicers to avoid or reduce Freddie Mac's application of remedies for violating the requirements of a Servicer's Purchase Documents. Those tools include the detailed requirements provided in the Guide and a Servicer's Purchase Documents, as well as the various Servicing-related training programs provided through Freddie Mac's Learning Center.

Servicers should thoroughly familiarize themselves with Volume 2 of the Guide, including, but not limited to, the Guide sections referenced in this Bulletin, as well as the following Guide chapters:

- Chapter 65, *Loss Mitigation*
- Chapter B65, *Workout Options*
- Chapter C65, *Home Affordable Modification Program*
- Chapter D65, *Home Affordable Foreclosure Alternatives*
- Chapter 66, *Foreclosure*
- Chapter 67, *Adverse Matters*
- Chapter 68, *Servicing Mortgages Impacted by a Disaster*

PORTFOLIO ACTIONS

Effective immediately

Pursuant to the Guide, Freddie Mac may disqualify or suspend a Seller and/or Servicer with or without cause, and may require a Servicer to transfer Servicing. Further, Seller/Servicers may proactively request a voluntary termination of their status as a Freddie Mac-approved Seller and/or Servicer.

With this Bulletin, we have revised certain provisions and restructured the Guide sections related to:

- Disqualification or suspension of the Seller and/or the Servicer
- Voluntary Termination of Seller and/or Servicer eligibility
- Appealing Seller and Servicer suspensions and terminations
- Liabilities of the Transferor Servicer and Transferee Servicer
- Termination of Servicing – with and without cause
- Termination of Servicing due to the sale of Mortgages by Freddie Mac

We have also amended certain provisions related to Transfers of Servicing.

Servicers are reminded that in the event of any Transfer of Servicing, the Transferee Servicer's assumption of responsibilities, representations and warranties upon transfer does not release the Transferor Servicer of its responsibilities, representations and warranties with respect to the transferred Mortgages.

Disqualification or suspension of the Seller and/or Servicer

We have refined the list of sub-portfolio characteristics in our Delinquency and REO rate comparisons to include Borrower characteristics and Mortgage characteristics (e.g., origination year, loan-to-value ratio, and documentation type -- full or reduced documentation) as a basis for making Delinquency and REO rate comparisons, as well as slightly amended the descriptions of unacceptable Servicer performance and adverse financial changes.

We have also identified liquidity and profitability as two examples of the types of financial requirements Freddie Mac may impose in addition to its Acceptable Net Worth requirements.

Sections 4.3, *Acceptable Net Worth and Other Financial Requirements*, 5.2 and 64.2, *General Requirements*, have been updated to reflect these changes.

Voluntary termination of status as a Freddie Mac Seller and/or Servicer

As currently provided in the Guide, a Seller and/or Servicer may request a voluntary termination of its status as a Freddie Mac-approved Seller and/or Servicer by submitting a request giving notice to Freddie Mac of its intent to voluntarily terminate. We have updated Section 5.3.1, *Request for Voluntary Termination of Status as a Freddie Mac Seller or Servicer*, to clarify that Freddie Mac may condition its approval on requirements such as full satisfaction of the Seller or Servicer's outstanding obligations due Freddie Mac, the transfer of any portfolio, and/or compensation to Freddie Mac for a negatively-valued portfolio. In the event of a portfolio transfer, the terminated Servicer is responsible for all transfer-related expenses, and remains responsible and liable to Freddie Mac for all representations and warranties arising prior to the transfer.

Appealing Seller and Servicer suspensions and terminations

We are amending the Guide to state that Sellers and Servicers that are approved by Freddie Mac to sell or service Mortgages on or after **October 3, 2012** do not have any right to appeal Freddie Mac's determination to disqualify or suspend the Seller or Servicer.

Section 5.4, *Appeal*, has been amended to reflect this change.

Liabilities of the Transferor Servicer and Transferee Servicer

We have updated Section 56.15, *Liabilities of the Transferor Servicer and Transferee Servicer*, to memorialize that the liability of the Transferor Servicer, any prior Servicer, or the original Seller as applicable, for the responsibilities, representations and warranties with respect to the transferring Mortgages is joint and several with the Transferee Servicer. We have also updated this section to clarify liability for selling and Servicing representations, covenants and warranties with respect to Mortgages sold under the Gold Cash Xtra® and the Freddie Mac Selling System Servicing Released Sales Process.

Termination of Servicing with and without cause

Chapter 73, *Termination of Servicing*, provides terms and conditions under which Freddie Mac may terminate all or any portion of Servicing by the Servicer at any time with cause or without cause.

Chapter 73 has been updated to reference Freddie Mac's right to execute a partial termination of Servicing without cause, and provide additional detail regarding the Servicer's opportunity to market the portfolio and the amount of the termination fee if the Servicer is unable to do so. Freddie Mac will notify the Servicer in writing 90 days before the scheduled date of the termination of Servicing without cause. Within that 90-day period (the Notice Period), the Servicer may arrange to transfer Servicing to another Servicer, subject to Freddie Mac's approval. Such a Transfer of Servicing is subject to the requirements of Chapter 56 and, if approved, must be completed 60 days from the date that Freddie Mac approves the transfer.

In the event the Servicer is not able to arrange a transfer as set forth above, Freddie Mac will pay the terminated Servicer a termination fee calculated as follows based on the conditions existing as of the transfer date. The termination fee will be the lesser of the following:

- Two times the Net Servicing Rate (as defined below) times the UPB of the transferring Mortgages that are not delinquent. For purposes of this calculation, a Mortgage will be deemed to be delinquent if as of a month end transfer date any payment is outstanding. In the event of a Transfer of Servicing that takes place other than at month end, a loan will be deemed to be delinquent if there is any payment outstanding as of the month end immediately preceding the transfer date. No Termination Fee will be paid for a delinquent Mortgage; or
- Market value of the contractual right to service the Mortgages as established by a qualified market leader in Servicing valuations using costs reflective of Freddie Mac's cost to engage a Servicing Agent, applying protocols appropriate for the risk as determined by Freddie Mac in its sole discretion (such value, as so established, shall be conclusive)

"Net Servicing Rate" means the Note Rate of the Mortgage less all of the following, expressed as an annualized fractional percentage:

- The pass-through rate due to Freddie Mac
- Any guarantee fee due to Freddie Mac
- Any excess Servicing not retained by the Servicer
- Any lender-paid mortgage insurance
- Any other component of the Note Rate that the Servicer is not entitled to retain for Servicing the Mortgage

Section 73.1, *Termination of Servicing*, has been amended with these new requirements.

Termination of Servicing due to the sale of Mortgages by Freddie Mac

As provided in Section 2.12, *Sale of Mortgages by Freddie Mac*, Freddie Mac has the right to sell Mortgages it has purchased. We have added new Section 73.6, *Termination of Servicing Related to Sale of Mortgages by Freddie Mac*, to provide more detail regarding the rights of a Servicer in such event. Freddie Mac will notify the Servicer before the scheduled close of the purchase and will pay a termination fee to the Servicer unless the Servicer is retaining Servicing responsibilities in connection with the sale of the Mortgage. We will apply the same termination fee calculation that will be utilized for terminations of Servicing without cause (referenced above) for terminations of Servicing due to the sale of Mortgages by Freddie Mac.

Automatic Transfer of Servicing of delinquent Mortgages

Freddie Mac is reserving the right, in its sole discretion, to require Servicers to automatically transfer Servicing of any Mortgage that has two or more payments outstanding to a Servicer of Freddie Mac's choice. In the event Freddie Mac determines that it will begin requiring such automatic transfers, Freddie Mac will provide the Transferor Servicer with written notice at least 90 days in advance of the

first Transfer of Servicing date. No compensation will be paid to the Transferor Servicer. Once a Mortgage has been identified for transfer, it will be transferred to or remain with the Transferee Servicer even after it becomes current.

Freddie Mac may discontinue the monthly transfer of delinquent Mortgages at any time upon written notice to the Transferor Servicer, and may provide up to 180 days' notice prior to the discontinuation of the monthly transfer of delinquent Mortgages if requested by the Servicer.

Section 64.2 has been updated to reflect this change.

TRAINING

To help Servicers further understand the components in this Bulletin, we have developed a suite of training opportunities. To understand the new performance measurements outlined in this Bulletin, we highly encourage Servicers to enroll in our new webinars through Freddie Mac's Learning Center:

- *Servicer Success Scorecard: Revised Investor Reporting Criteria*

http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=RS_IRC

- *Servicer Success Scorecard: Revised Default Management Criteria*

http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=RS_DMC

Additionally, we are offering a new webinar to clarify Freddie Mac's Servicing violations and remedies referenced in this Bulletin. This training is available at **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=Svcr_VR**

Servicers should visit the Learning Center web page at: **http://www.freddiemac.com/learn/service/** for additional Servicing training information and resources related to this Bulletin.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 4, 5, 6, 7, 8, 51, 54, 56, 57, 64, 65, B65, 66, 71, 72, 73, 77, 78 and A83
- Exhibit 96
- Forms 960 and 981
- 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,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Definitions for the Revised Servicer Success Scorecard Criteria

Definitions for all the revised Servicer Success Scorecard criteria are provided in the tables below:

INVESTOR REPORTING CRITERIA

Criteria	Definition/Calculation
Cash Management	
Shortage Percentage	**Definition:** Cumulative total of each day's cash shortage amount expressed as a percentage of the total due for the period. **Calculation:** (Sum of daily cash shortage in the period($)) / (Sum of daily amounts due during the period ($))
Data Integrity and Operational Management	
Percent Hard Rejects Over 90 Days Old	**Definition:** The number of loans that have edits (edits to be cleared) outstanding greater than 90 days expressed as a percentage of the total loans in the Servicer's portfolio for that period. **Calculation:** (Hard rejects which occurred in reporting cycle > 90 days old) / (Total loans in portfolio)
Percent Soft Rejects Over 90 Days Old	**Definition:** The number of loans that have edits (system cleared edits) for greater than 90 days expressed as a percentage of the total loans in the Servicer's portfolio for that period. **Calculation:** (Soft rejects which occurred in reporting cycle > 90 days old) / (Total loans in portfolio)
Percent of Hard Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio	**Definition:** The number of loans that have initial edits (edits to be cleared) and require the Servicer to correct the transaction expressed as a percentage of the total loans in the Servicer's portfolio for that period. **Calculation:** (Number of hard rejects which occurred in reporting cycle) / (Number of loans in portfolio)
Percent of Soft Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio	**Definition:** The number of loans that have edits (system cleared edits) expressed as a percentage of the total loans in the Servicer's portfolio for that period. **Calculation:** (Number of soft rejects which occurred in reporting cycle) / (Number of loans in portfolio)
Percent of Ending Hard Rejects to Total Loans in Portfolio	**Definition:** The number of loans that have edits (edits to be cleared) that were not corrected by the Servicer prior to cycle close expressed as a percentage of the total loans in the Servicer's portfolio for that period. **Calculation:** (Number of hard rejects at end of reporting period) / (Number of loans in portfolio)
Average Number of Days to Report Payoffs (FRE Only)	**Definition:** The average number of days to report a payoff in the reporting cycle **Calculation:** (Total number of days to report payoffs) / (Total number of payoffs for the reporting cycle)

* Hard Rejects - Not cleared in the system and require Servicer intervention to correct

** Soft Rejects - Rejects that were within the tolerance and automatically cleared by the system

DEFAULT MANAGEMENT CRITERIA

Criteria	Definition/Calculation
Loss Mitigation	
Transition to 60+	**Definition:** The number of loans that roll from a less than 60 day delinquent status to a 60+ day delinquent or loss liquidation status over a three-month reporting period. **Calculation:** (60+ loan count that transitioned from the denominator pool) / (Current [<30 days] loan count + 30 day loan count 3 months prior)
60 to Worse	**Definition:** The number of 60 day delinquent loans at the beginning of the month that migrated to a 90+ delinquent or loss liquidation status at the end of the month divided by the beginning 60-day delinquent loan count. **Calculation:** (90+ loan count from the denominator pool) / (60 day loan count month)
90+ to Better	**Definition:** The number of 90+ day delinquent loans at the beginning of the month that transitioned to a less or equally delinquent status divided by the beginning 90+ days delinquent loan count. **Calculation:** (90+ loans that transitioned to same or better status from the denominator pool) / (90+ loan count)
90+ to Worse (Late Collections Roll Rate)	**Definition:** The number of 90+ delinquent loans that transition to a further state of delinquency in the following month divided by the total number of 90+ delinquent loans in the previous month. This metric excludes loans in an active foreclosure or trial plan status. **Calculation:** (120+ loan count that transitioned from the denominator pool- active foreclosure - active trial plans) / (90+ day delinquent loan count - active foreclosure - active trial plans)
Retention Efficiency	**Definition:** The number of retention workouts closed over a 3-month period divided by the average 90+ day delinquent population for the same measurement period. Initiated trial modifications, closed modifications not requiring a trial period, and completed repayment plans for loans that were 60 days or greater delinquent will be considered in the numerator. **Calculation:** [For three consecutive months (sum of trial starts + 60+ repay plans completed + closed modifications not requiring a trial) / (3 month average 90+ loan count three consecutive months)]
Liquidation Efficiency	**Definition:** The number of liquidation workouts closed over a 3-month period divided by the average 90+ day delinquent population for the same measurement period. Pre-foreclosure sales and deeds-in-lieu of foreclosure, including Home Affordable Foreclosure Alternatives (HAFA), will be considered in the numerator. **Calculation:** [For three consecutive months (sum of pre-foreclosure sales and deeds-in-lieu of foreclosure) / (3 month average 90+ loan count three consecutive months)]

DEFAULT MANAGEMENT CRITERIA

Criteria	Definition/Calculation
Workout Effectiveness	
6-Month Performance	**Definition:** Measures the number of loans that are current 6 months after the modification closing date. **Calculation:** (Count of modifications that are current from the denominator pool) / (Count of closed modifications 6 months prior)
12-Month Performance	**Definition:** Measures the number of loans that are current 12 months after the modification closing date. **Calculation:** (Count of modifications that are current from the denominator pool) / (Count of closed modifications 12 months prior)
Timing of Liquidation Solutions	**Definition:** The number of closed pre-foreclosure sales and deeds-in-lieu of foreclosure that were less than 210 days delinquent at the time of closing divided by the total number pre-foreclosure sales and deeds-in-lieu of foreclosure closed for the month. **Calculation:** (Count of pre-foreclosure sales and deeds-in-lieu closed that were < 210 days delinquent) / (Total count of short sales and deeds-in-lieu of foreclosure closed)
Default Timeline Management	
Loans Beyond FCL Sale Threshold	**Definition:** Number of 180+ days delinquent loans and loans that liquidated at 180+ days delinquent, that have exceeded the allowable published foreclosure state standard divided by the total count of loans that are greater than or equal to 180 days delinquent or were greater than or equal to 180 days delinquent at the time of liquidation. Liquidations include pre-foreclosure sales, deeds-in-lieu of foreclosure and completed foreclosure sales. **Calculation:** (Count of loans 180+ days delinquent that exceed foreclosure sale standard + loans that liquidated that exceeded the foreclosure sale standard) / (180+ count + liquidated loans > = 180+ days)
Avg Age Past FCL Sale Std	**Definition:** Average age of 180+ days delinquent loans and loans that liquidated at 180+ days delinquent, that are beyond the published allowable foreclosure State standards. **Calculation:** (Total number of days past standard for 180+ delinquent loans and 180+ delinquent liquidated loans that exceeded standard) / (Total number of 180+ delinquent loans and 180+ delinquent liquidated loans that exceeded standard)

DATA INTEGRITY

Criteria	Definition/Calculation
Initial Delinquency Reporting Edits	**Definition:** The number of edits in the first monthly default reporting transmission compared to the total number of 30+ delinquent loans in the Servicer's portfolio. **Calculation:** (Number of edits generated in the Servicer's first monthly default reporting transmission) / (Total number of D30+ delinquencies)
Final Delinquency Reporting Edits	**Definition:** The number of edits that have not been resolved plus the number of 90+ delinquent loans and loans in foreclosure that have not been reported as of close of cycle compared to total number of 30 + delinquent loans in the Servicer's portfolio. **Calculation:** ([Number of edits that have not been resolved) + (Number of D90+ delinquent and foreclosure loans that were not reported as of the close of the reporting period)) / (Total number of D30+ delinquencies)
Accuracy of DDLPI Reporting	**Definition:** The percentage of the Servicer's 30+ delinquent loans reported with DDLPIs that are inconsistent with the DDLPI information reported via loan-level reporting. **Calculation:** (Number of DDLPI discrepancies between EDR and loan-level reporting) / (Total number of D30+ delinquencies)
Timely REO Notifications	**Definition:** The average number of days to report foreclosure sale results from first business day after the sale date to the date the Servicer reports the sale results. **Calculation:** (Total number of days to report foreclosure sale results for the period) / (Total number of foreclosure sales reported for the period)

Bulletin

NUMBER: 2012-21

TO: Freddie Mac Sellers October 16, 2012

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are revising certain requirements for ARMs and providing guidance and updates regarding Home Possible® Mortgages.

ARM RATE CAPS AND QUALIFICATION REQUIREMENTS

In our continuing effort to support sustainable homeownership and promote responsible lending, we are revising certain requirements for ARMs. These changes are intended to reduce the risk of payment shock associated with increases in monthly payments after the Initial Period and to help ensure that Borrowers will continue to be able to make their monthly payments should interest rates rise in the future.

Effective for Mortgages with Settlement Dates on or after July 1, 2013, we have revised our requirements for ARMs with Initial Periods less than or equal to five years to require that they must have Initial Caps and Periodic Caps that are less than or equal to 2%.

Freddie Mac continues to offer a comprehensive list of ARM products; however, as a result of the ARM changes announced in this Bulletin, ARM products with caps exceeding the revised limits will be retired. Examples of the impacted products that will be retired include, but are not limited to, 5/1 ARMs with a 5-2-5 cap structure, and all 3/6-month ARMs and 5/6-month ARMs.

In addition, for all ARMs with Initial Periods less than or equal to five years, including ARMs that are Financed Permanent Buydown Mortgages and ARMs with temporary subsidy buydown plans, Borrowers must be qualified at the greater of the Note Rate + 2% or the fully indexed rate.

Guide Chapter 30, *Special Eligibility Requirements for ARMs*, and Guide Exhibit 17S, *Available Mortgage Products*, have been revised to reflect these changes, which include an updated list of eligible ARM products. Other related Guide chapters have also been revised accordingly.

Loan Prospector® will be updated prior to July 1, 2013 to support these changes. Sellers will be notified when these changes are implemented.

Notice of changes to negotiated provisions

Pursuant to Section 12.3(d), negotiated provisions in Master Agreements and/or Master Commitments are amended effective for Mortgages with Settlement Dates on or after July 1, 2013, to reflect the revised requirements for ARMs announced in this Bulletin.

HOME POSSIBLE MORTGAGES

Effective November 18, 2012

Area median income guidance

The Federal Housing Finance Agency has issued the area median income estimates for 2012.

Both Loan Prospector and the Affordable Income & Property Eligibility tool, which is available on Freddiemac.com at **http://ww3.freddiemac.com/ds2/sell/affgold.nsf/frmHomePage?OpenForm**, will be updated on November 18, 2012 to reflect the 2012 area median income estimates. Sellers must use the 2012 area median income estimates on Manually Underwritten Mortgages with Application Received Dates on or after November 18, 2012. The 2012 area median income estimates will apply to Mortgages submitted or resubmitted through Loan Prospector on or after November 18, 2012.

Underserved Area

In conjunction with the update to the area median income estimates, we are revising our definition for "Underserved Area."

Guide Section A34.7, *Eligible Borrowers*, provides that there is no income limit applicable to a Home Possible Mortgage if the property is located in an Underserved Area. Effective November 18, 2012, an Underserved Area will consist of either:

- Census tracts or block numbering areas in which median income does not exceed 80% of the area median income; minority census tracts where families reside and have an income that does not exceed area median income at the time of loan origination; and census tracts designated as disaster areas where families reside and have an income that does not exceed area median income at the time of loan origination; or
- Minority census tracts – census tracts that have a minority population of at least 30% and a median income of less than 100% of the area median income

The Glossary has been updated to reflect this change.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 5, 6, A13, 17, 25, 30, F33 and A34
- Exhibit 17S
- 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,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Bulletin

NUMBER: 2012-22

TO: Freddie Mac Sellers and Servicers | October 18, 2012

SUBJECT: QUALITY CONTROL PROCESSES AND REQUIREMENTS

Under the new selling representation and warranty framework announced on September 11, 2012 in *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2012-18, Freddie Mac will not exercise its remedies against certain Mortgages with Settlement Dates on or after January 1, 2013, in connection with a Seller/Servicer's breach of certain selling representations and warranties (generally relating to the underwriting of the Borrower, the Mortgaged Premises, and the project in which the Mortgaged Premises is located). To qualify for the new representation and warranty framework, a Mortgage must evidence an acceptable payment history and meet certain other eligibility criteria as more fully described in Bulletin 2012-18.

With the implementation of the new representation and warranty framework, Freddie Mac's quality control review process will become increasingly important, and accordingly, changes are being made to the quality control time lines and enforcement processes in support of the new representation and warranty framework.

With this Bulletin we are:

- Announcing revisions to the quality control time lines and enforcement requirements
- Revoking the automatic repurchase trigger announced in Bulletin 2012-18
- Directing Seller/Servicers to other resources for additional information regarding our quality control processes

In addition to this Bulletin, we are issuing an Industry Letter today ("October 18, 2012 Industry Letter"), which provides an overall description of Freddie Mac's quality control processes and explains how Seller/Servicers will be impacted by the new representation and warranty framework. The October 18, 2012 Industry Letter is not part of the Purchase Documents.

QUALITY CONTROL AND ENFORCEMENT REQUIREMENTS

With this Bulletin Freddie Mac is announcing the following updates and revisions to its quality control and enforcement requirements, which will be effective on or after **January 1, 2013**:

- In connection with a postfunding quality control review, Freddie Mac must receive a requested Mortgage file within 30 days from the date of the request. If the Mortgage file is not received within the requested time frame, Freddie Mac will issue a repurchase request and may suspend or disqualify the Seller/Servicer. Based upon circumstances at the time, Freddie Mac, in its sole discretion, may specify a shorter or longer period of time for receipt of the requested Mortgage file.
- Within 60 days of the date of a repurchase request, the Seller/Servicer must either repurchase the identified Mortgage or, if the Seller/Servicer has additional supporting information and/or documentation that may affect Freddie Mac's decision, file an appeal

- If Freddie Mac denies an appeal of a repurchase request, the Seller/Servicer has 15 days to either repurchase the Mortgage, or, if new supporting information is available that was not available at the time of the first appeal, to file a subsequent appeal

We have also added a provision emphasizing that Freddie Mac, at its sole discretion, may provide a Seller/Servicer with an alternative to the immediate repurchase of an identified Mortgage. In each such case, Freddie Mac will notify the Seller/Servicer of the type and terms of the repurchase alternative.

Finally, Freddie Mac is reminding Seller/Servicers that regardless of previous practices and exceptions with respect to its receipt of repurchase proceeds, in the future, Freddie Mac may exercise any of its rights and remedies provided in the Purchase Documents if Freddie Mac does not receive repurchase funds by the repurchase due date. These remedies include, but are not limited to, the assessment of a late remittance fee, which until further notice will be assessed at 120 days from the repurchase request date.

AUTOMATIC REPURCHASE TRIGGER

In Bulletin 2012-18, Freddie Mac announced a new requirement to be effective for Mortgages with Freddie Mac Settlement Dates on and after January 1, 2013 regarding an automatic repurchase request for any Mortgage for which no scheduled payments were made for the first three months after the Freddie Mac Settlement Date. Upon further review, it has been determined that this requirement will not be implemented. Instead, we will continue our current practice of rigorously reviewing any Mortgage with an early payment default.

REVISIONS TO THE GUIDE

The following Guide sections have been amended to reflect the changes announced in this Bulletin:

- 46.1(d), *Mortgage File Submission Requirements*
- 72.1, *Repurchases Required by Freddie Mac Due to Violations of Sale Representations and Warranties*
- 72.3, *Repurchase Price*
- 72.6, *Appealing a Repurchase Request Due to Violations of Sale Representations and Warranties*

RESOURCES FOR ADDITIONAL INFORMATION

Additional information about Freddie Mac's quality control and enforcement processes are found in:

- Guide Chapters 46, *Freddie Mac's Postfunding Quality Control Review*, 47, *Mortgage File Contents*, 48, *Seller's In-House Quality Control Program*, and 72, *Repurchases*
- The September 11, 2012 Industry Letter
- The October 18, 2012 Industry Letter
- The updated *Freddie Mac Quality Control* webinar. This webinar is available on Freddie Mac's Learning Center at: **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=FMQC**
- The Quality Control and Fraud Prevention Resources page on Freddie Mac.com at **http://www.freddiemac.com/singlefamily/quality_control.html**, which directs the Seller to a number of tools, quick references and training materials
- FAQs available at: **http://www.freddiemac.com/sell/secmktg/framework_faq.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,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Industry Letter

To: Freddie Mac Sellers and Servicers October 19, 2012

SUBJECT: QUALITY CONTROL AND ENFORCEMENT PRACTICES

On September 11, 2012, Freddie Mac issued *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2012-18, which announced that, at the direction of the Federal Housing Finance Agency (FHFA) and jointly with Fannie Mae, it was implementing a new selling representation and warranty framework that would apply to Mortgages with Settlement Dates on or after January 1, 2013. Under the new representation and warranty framework, for Mortgages that establish an acceptable payment history and satisfy certain eligibility criteria, Freddie Mac will not exercise its remedies in connection with a Seller's breach of certain selling representations and warranties generally relating to the underwriting of the Borrower, the Mortgaged Premises, and the project in which the Mortgaged Premises is located.

Integral to the new representation and warranty framework is Freddie Mac's quality control review process and enforcement in connection with violations of the sale representations, covenants and warranties set forth in the Purchase Documents. Simultaneously with issuance of Bulletin 2012-18, we published the September 11, 2012 Industry Letter, which generally described our current quality control practices and provided an overview of future changes to our quality control and enforcement processes that would be implemented in support of the new representation and warranty framework.

Today Freddie Mac issued Bulletin 2012-22 announcing revisions to the quality control time lines and enforcement requirements first previewed in the September 11, 2012 Industry Letter. Based on industry feedback, today we are also expanding on the description in the September 11, 2012 Industry Letter of some of our quality control and enforcement processes and practices that are affected by the new representation and warranty framework.

In this Industry Letter, which is issued at the direction of FHFA and in coordination with Fannie Mae, we are providing supplemental information on the following topics, identifying what is new and specifying the effective date of each new provision:

- Quality control principles
- Quality control sample process
- Quality control review practices
- Enforcement practices
- Ongoing communications with Seller/Servicers about quality Mortgages

In addition, we are providing Seller/Servicers with additional guidance regarding the life of loan representations and warranties related to misstatements, misrepresentations, omissions and data inaccuracies that relate to the new representation and warranty framework.

OVERVIEW OF QUALITY CONTROL PRINCIPLES

The quality control review process is one method of validating whether the loans we purchase were originated in accordance with applicable underwriting standards, and it provides our Sellers with tangible data about the quality of their loan origination process. As such, every Seller/Servicer is subject to quality control review of Mortgages sold to Freddie Mac. In connection with the new representation and warranty framework, we will continue our efforts to confirm the Mortgages we buy comply with the Purchase Documents.

Our objective is to continue improving upon our quality control processes. Freddie Mac's quality control efforts will be focused on identifying loans that were not originated in accordance with applicable underwriting and eligibility requirements. We view the origination quality risk as distinct from the credit risk associated with a loan. While there may be instances where the two risks overlap, the quality control reviews for the new representation and warranty framework will focus on identifying those loans that fail to meet underwriting and eligibility requirements.

We expect that our Sellers will use our quality control review results, as well as the various loan evaluation tools made available by Freddie Mac, Fannie Mae and the mortgage finance industry, to improve their own loan origination process. Together, Freddie Mac and its Sellers should have a shared goal of improving the quality of loan originations.

To this end, Freddie Mac will continue to enhance its ongoing quality control sampling and review efforts by using some of the technology and data-gathering tools it has implemented to evaluate Borrower credit and capacity, the collateral, and product eligibility.

These tools include:

- **Loan Prospector®** – This is Freddie Mac's automated loan evaluation system that helps increase a Seller's productivity and ability to make informed credit decisions
- **Home Value Explorer® (HVE)** – The HVE data appears on the Loan Prospector feedback certificate and can be used as a tool in underwriting the appraisal report
- **Uniform Appraisal Dataset (UAD)** – The UAD defines all fields required for an appraisal submission for specific appraisal forms and standardizes definitions and responses for a key subset of fields; it is intended to enhance the accuracy and integrity of collateral data
- **Uniform Collateral Data Portal® (UCDP®)** – This portal is used for the electronic submission of the UAD and provides error messages regarding UAD data fields that are incomplete or incorrectly completed
- **Uniform Loan Delivery Dataset (ULDD)** – The recently-implemented ULDD expanded the number of loan-level data elements provided to Freddie Mac in connection with the sale of a Mortgage, and standardized definitions and valid values for each of the data elements; the ULDD is intended to enhance the accuracy and integrity of loan data
- **Freddie Mac Selling System** – Freddie Mac's web-based system for selling Mortgages provides edit rules and field-level help messages

In addition to these data-gathering and validation tools, Freddie Mac will continue to provide Sellers with timely, meaningful information on their loan quality, and greater transparency and predictability regarding the remedies it may exercise when a defective loan is identified in the quality control review process.

Overview of Quality Control Principles	
What is new?	While the technology and data-gathering tools described in this section are continually enhanced and expanded, the quality control principles described in this section are not new.
When is this effective?	The provisions of this section are currently effective and are anticipated to remain in effect after implementation of the new representation and warranty framework.

QUALITY CONTROL SAMPLE PROCESS

Random and targeted sampling

Under our core performing loan sample process and strategy, we select a random sample of new Mortgage deliveries that ensures statistical validity. For our larger Sellers, the random sample is selected based on the purchase volume of a particular Seller and the Seller's prior period defect rate. For the remaining Sellers, the random sample is based on the total purchase volume and the prior period defect rate for the entire group of Sellers. Note that we do not intend to make changes in how we calculate and report Seller/Servicer defect rates, which will continue to be a key metric of Seller performance.

The random sample is augmented with targeted samples for certain risk characteristics and/or Sellers, with a focus on loans that have indications of origination defects. A targeted sample is selected based on several factors, including the credit and the collateral profiles of the loans delivered by the Seller, Freddie Mac's projected performance of the loans delivered by the Seller, Freddie Mac's operational assessment of the Seller and, if applicable, the delivery volume of concentrated products.

Random and targeted sample sizes

Mortgages are generally selected for performing loan review from Mortgages sold to Freddie Mac during the previous month. As communicated in the September 11, 2012 Industry Letter, we do not anticipate making any material changes to our random sample size or process in the near future. With respect to the targeted samples, consistent with our past practices, the size of the sample is directly affected by the quality and volume of loans a Seller delivers to Freddie Mac. Additionally, as we avail ourselves of the new technology and data-gathering tools to analyze loan-level data, we expect our performing targeted samples for Mortgages sold under the new representation and warranty framework will generally increase in the aggregate across all loans and all Sellers. This increase will likely occur as early as January 2013 and will likely fluctuate based on the Seller's loan quality. As we have in the past, we will continue to refine our sampling methodology based on loan quality and ongoing industry changes.

File request time lines for performing loan reviews

As announced in the September 11, 2012 Industry Letter, we will be requesting Mortgage files for performing loan reviews between 30 and 120 days after Mortgage purchase; we anticipate that the vast majority of Mortgage file requests will occur within the 30-day time frame. Our goal is to complete performing loan file reviews and provide Seller/Servicers with notice of any deficiencies within 60 - 90 days of our receipt of the entire Mortgage file, with most loan file reviews occurring within the 60-day time frame. This will result in Seller/Servicers receiving notices of any deficiencies closer to the origination date.

Non-performing and anti-predatory lending compliance reviews

Freddie Mac's non-performing loan sample process and review strategy will remain as currently communicated. Additionally, we do not anticipate making any changes to our anti-predatory lending compliance review sampling process. Compliance with applicable laws and regulations remains the sole responsibility of Sellers.

Quality Control Sample Process	
What is new?	Freddie Mac's targeted samples for performing loans will likely increase across all loans and Sellers.
When is this effective?	The increase in targeted samples will be effective as early as January 2013. All other provisions of this section are currently effective and are anticipated to remain in effect after implementation of the new representation and warranty framework.

QUALITY CONTROL REVIEW PRACTICES

Mortgage file review process (other than Freddie Mac Relief Refinance Mortgages^{SM})

Freddie Mac applies a different Mortgage file review process and scope depending on whether the loan is a Relief Refinance Mortgage or a non-Relief Refinance Mortgage. This section describes the Mortgage file review process and scope for Mortgages other than Relief Refinance Mortgages.

As communicated in the September 11, 2012 Industry Letter, Mortgages sampled are reviewed on a comprehensive basis by evaluating the entirety of the Mortgage file (containing the documents listed in Guide Chapters 46, *Freddie Mac's Postfunding Quality Control Review*, and 47, *Mortgage File Contents*) and the applicable Purchase Documents, with a primary focus of identifying significant deficiencies. Freddie Mac reviews the Mortgage file against the loan program eligibility requirements set forth in the Purchase Documents, and conducts an in-depth analysis of the credit and capacity of the Borrower, including the Borrower's ability to repay the loan, and an analysis of the underlying collateral.

When reviewing a Mortgage on a comprehensive basis, there may be circumstances in which certain findings may be deemed deficient, but when considered with other loan features, the Mortgage may be deemed overall to be of acceptable quality. Similarly, some individual defects are significant in and of themselves; in other cases, a Mortgage file may present a layering of deficiencies that, when considered comprehensively, make the Mortgage unacceptable.

If the review of the Mortgage file indicates that the loan characteristics differ from the applicable loan delivery data, but the loan would be eligible for sale to Freddie Mac under other terms set forth in the Purchase Documents, Freddie Mac may determine that the loan is acceptable. However, Freddie Mac may impose a condition to retain the loan, such as requiring the Seller/Servicer to cure the deficiency or to agree to an alternative remedy to repurchase (refer to the section titled "Alternatives to repurchase and discontinuation of the feedback program" below).

Mortgage File Review Process (Other than Relief Refinance Mortgages)	
What is new?	Although Freddie Mac has not previously provided the specificity regarding a comprehensive review that is set forth in this section, this is not a change in quality control review practices. We continue to be committed to considering the Mortgage file as a whole when making a determination on eligibility of a sampled loan.
When is this effective?	The provisions in this section are currently effective and are anticipated to remain in effect after implementation of the new representation and warranty framework.

Mortgage file review process – Relief Refinance Mortgages

For Relief Refinance Mortgages, Freddie Mac reviews the Mortgage file against the loan program eligibility requirements set forth in Chapters A24, *Freddie Mac Relief Refinance Mortgages^{SM} – Same Servicer*, B24, *Freddie Mac Relief Refinance Mortgages^{SM} – Open Access*, and C24, *Freddie Mac Relief Refinance Mortgages^{SM} – Same Servicer with LTV Ratios Less than or Equal to 80%*, and the other Purchase Documents, as applicable. Freddie Mac will evaluate, among other things, whether the Relief Refinance Mortgage was originated for one of the purposes specified in the Purchase Documents, and whether any secondary financing complies with the requirements of the Purchase Documents.

However, Freddie Mac does not conduct a full analysis of the credit and capacity of the Borrower for Relief Refinance Mortgages – Same Servicer. Additionally, Freddie Mac does not review the value, condition and marketability of the property securing any Relief Refinance Mortgages.

If the review of the Mortgage file indicates that the Relief Refinance Mortgage characteristics differ from the applicable loan delivery data, but the Relief Refinance Mortgage would be eligible for sale to Freddie Mac under other terms set forth in the Purchase Documents, Freddie Mac may determine that the loan is acceptable. However, Freddie Mac may impose a condition to retain the loan, such as requiring the Seller/Servicer to cure the deficiency or to agree to an alternative remedy to repurchase (refer to the section titled "Alternatives to repurchase and discontinuation of the feedback program" below).

Mortgage File Review Process – Relief Refinance Mortgages	
What is new?	Some of the eligibility requirements for Relief Refinance Mortgages recently changed. However, this will not result in a change in our quality control review practice, which is to review the Mortgage file against the loan program eligibility requirements.
When is this effective?	The practice of reviewing the Relief Refinance Mortgage file against the loan program eligibility requirements as described in this section is currently effective and is anticipated to remain in effect after implementation of the new representation and warranty framework.

Subsequent Mortgage file review process

Prior to establishing an acceptable payment history (that is, either 12 or 60 months for Relief Refinance Mortgages, and either 36 or 60 months for other Mortgages), our objective is to complete comprehensive reviews on loans at the time we initially select and review the Mortgage file. If new information is discovered, such as a title defect that prevents a foreclosure, we may review that new information.

We do not intend to re-review the underwriting on loans previously reviewed. This is particularly the case with respect to sampled performing loans for which the Borrower subsequently meets the payment history requirements of the new representation and warranty framework.

However, as noted above, if Freddie Mac obtains additional information about the loan, either before or after the Borrower meets the payment history requirements, that indicates the Mortgage may violate one of the life of loan selling representations and warranties described in Bulletin 2012-18, Freddie Mac may, at its discretion, request the Mortgage file for an additional quality control review.

For Mortgages that were not subject to a quality control review by Freddie Mac and that first became delinquent after the Borrower met the payment history requirements of the new representation and warranty framework, Freddie Mac may require a non-performing quality control review if it becomes aware of information that would indicate the Mortgage violates one of the life of loan selling representations and warranties or any of the other loan eligibility criteria described in Bulletin 2012-18.

Subsequent Mortgage File Review Process	
What is new?	The subsequent Mortgage file review process described in this section is new, based on Bulletin 2012-18, in which Freddie Mac announced the new representation and warranty framework.
When is this effective?	The subsequent Mortgage file review process described in this section will be effective for Mortgages with Settlement Dates on and after **January 1, 2013**.

ENFORCEMENT PRACTICES

Repurchase and appeal process

When Freddie Mac identifies a defective Mortgage, it issues a repurchase request that describes the defects that render the Mortgage ineligible for purchase by Freddie Mac. The defects that would give rise to a repurchase request consist of errors or failures that would have resulted in Freddie Mac's refusal to

purchase the Mortgage at the time of delivery had they been known. Employing the tools described in the "Overview of Quality Control Principles" section should help decrease the number of Freddie Mac repurchase requests over time as fewer ineligible loans are delivered. For more details regarding the remedy alternatives available for loan defects that do not rise to the level of a repurchase request, see the "Alternatives to repurchase and discontinuation of the feedback program" section below.

Freddie Mac will continue to maintain a process for Seller/Servicers to appeal repurchase requests. Our data shows that the appeals process is very effective for loans with defects such as missing documentation or other curable deficiencies. A substantial proportion of the repurchase requests we issue are resolved and the repurchase request is rescinded because the Seller/Servicer provides documentation or otherwise cures the defect identified in the repurchase request within the time period specified by Freddie Mac (if Freddie Mac has offered a cure).

Under the appeals process, when Freddie Mac issues a repurchase request with respect to a particular Mortgage, the Seller/Servicer is entitled to review and respond to the loan-level findings within 60 days and to provide any required documentation to address the deficiencies identified in the repurchase request, with the goal of resolving significant deficiencies. The goal of Freddie Mac and the Seller/Servicers should be to resolve repurchase requests as expeditiously as possible during the first appeal. However, if Freddie Mac denies the initial appeal and the Seller/Servicer discovers new information to support its contention that the Mortgage complies with the Purchase Documents, a second appeal will be permitted within 15 days, provided the Seller/Servicer submits documentation concerning the new information with its appeal.

Repurchase and Appeal Process	
What is new?	With Bulletin 2012-22, Freddie Mac is describing the process for filing a second appeal, supported by new information. This is a new provision.
When is this effective?	The second appeal process is a new provision that will be effective on and after **January 1, 2013**. All other provisions in this section are currently effective and are anticipated to remain in effect after implementation of the new representation and warranty framework.

Alternatives to repurchase and discontinuation of the feedback program

In certain circumstances, Freddie Mac may provide the Seller/Servicer with an alternative to the immediate repurchase of the identified Mortgage. In each such case, Freddie Mac will notify the Seller/Servicer of the type and terms of the repurchase alternative. The alternatives may include any one or more of the following, as determined by Freddie Mac in its sole discretion:

- **Recourse** – An agreement by the Seller/Servicer to provide recourse for the life of the loan or for some other specified time period
- **Collateralized recourse** – Recourse as described above, with respect to which the Seller/Servicer's obligation is secured by a specified collateral account
- **Indemnification** – An agreement by the Seller/Servicer to indemnify, defend and hold harmless Freddie Mac from any losses, costs, claims, actions, damages, liabilities, judgments, counterclaims or defenses to which Freddie Mac may become subject relating to the Mortgage
- **Collateralized indemnification** – Indemnification as described above, with respect to which the Seller/Servicer's obligation is secured by a specified collateral account
- **Loss share** – An agreement between Freddie Mac and the Seller/Servicer to each pay a specified proportion of the losses that have arisen or may arise in the future relating to the Mortgage
- **Loss reimbursement** – An agreement by the Seller/Servicer to reimburse Freddie Mac for specified losses relating to the Mortgage

- **Pricing adjustment** – The assessment by Freddie Mac and payment by the Seller/Servicer of a guarantee fee adjustment or an additional delivery fee with respect to the Mortgage

The feedback program that Freddie Mac made available to most Seller/Servicers will be discontinued, and will no longer be offered as an alternative to repurchase. However, we will be providing Seller/Servicers with quality control results information that is similar to what had been provided through the feedback program, as well as greater flexibility in repurchase alternatives.

Alternatives to Repurchase and Discontinuation of the Feedback Program	
What is new?	The process of offering alternatives to repurchase is not new, since Freddie Mac has always asserted the right to offer repurchase alternatives. However, this is the first time we have a specifically described the alternatives. Discontinuing the feedback program is new.
When is this effective?	Discontinuing the feedback program will be effective for Mortgages with Settlement Dates on and after **January 1, 2013**. The other provisions of this section are currently effective and are anticipated to remain in effect after implementation of the new representation and warranty framework.

Considerations in determining alternative to repurchase

In determining whether to offer an alternative to repurchase, Freddie Mac considers a number of factors, including the following.

- **Type of loan defect** – Certain types of loan defects cannot be cured, violate internal policies, and/or are deemed egregious, and will not be considered for an alternative to repurchase. An example of such a Mortgage is a loan product, such as an interest-only loan, that Freddie Mac does not currently purchase. Other examples of loans that will not be offered a repurchase alternative include loans with significant misrepresentation by any party of the transaction, loans that violate the Freddie Mac Charter Act, loans without appropriate mortgage insurance coverage, and loans that violate State or federal lending laws.
- **Misidentified loans delivered without a fee** – Some loans may be considered ineligible because they were misidentified and delivered without the appropriate delivery fee or other pricing adjustment. In these cases, Freddie Mac may consider offering a pricing adjustment or imposition of a fee as an alternative to repurchase.
- **Seller/Servicer's financial viability** – Other alternatives to repurchase may be based on the financial viability of the Seller/Servicer as a counterparty, so that a financially sound counterparty might be permitted to provide recourse on the loan, while a financially weaker Seller/Servicer might be required to collateralize the obligation
- **Other factors** – Freddie Mac may also consider other factors, such as:
  - Any compensating factors related to the loan
  - Layering of risks that exist on the loan
  - The status of the loan (that is, whether it is performing or non-performing)
  - The potential loss associated with the defective loan
  - The Seller/Servicer's past repurchase practices

In each case, Freddie Mac's decision to offer a repurchase alternative and the terms and conditions of the alternative will be at Freddie Mac's sole discretion.

Considerations in Determining Alternative to Repurchase	
What is new?	The factors we consider in determining whether to offer a repurchase alternative are not new, but this is the first time we have specifically described those factors.
When is this effective?	The provisions in this section are currently effective and are anticipated to remain in effect after implementation of the new representation and warranty framework.

ONGOING COMMUNICATIONS WITH SELLER/SERVICERS ABOUT QUALITY MORTGAGES

As discussed in the September 11, 2012 Industry Letter, Freddie Mac provides Seller/Servicers with ongoing analysis of their overall quality control performance, including identifying repurchases by defect types and reporting frequent or common defects. This information is provided through a variety of methods that range from regular electronic transmissions to more formal periodic discussions.

Our goal is to continue engaging in frequent, meaningful exchanges of information with our Seller/Servicers on quality trend analyses and significant underwriting deficiencies we have identified through our quality control review process. Freddie Mac believes such communications strengthen the alignment between Freddie Mac and its Sellers on what constitutes a significant underwriting deficiency, and provide both parties a clear understanding of underwriting philosophy and how this applies to loan-level findings. We require that Seller/Servicers implement and enforce strong underwriting processes and, if necessary, we will work with Seller/Servicers to develop action plans to improve underwriting quality.

Ongoing Communications with Seller/Servicers about Quality Mortgages	
What is new?	Nothing contained in this section is new; it reflects the same process that has been in effect.
When is this effective?	The provisions in this section are currently effective and are anticipated to remain in effect after implementation of the new representation and warranty framework.

LIFE OF LOAN REPRESENTATIONS AND WARRANTIES RELATED TO MISSTATEMENTS, MISREPRESENTATIONS, OMISSIONS AND DATA INACCURACIES

Bulletin 2012-18 describes a number of representations and warranties for which the Seller/Servicer remains responsible for the life of the loan. The following information is intended to re-emphasize the requirements pertaining to misstatements, misrepresentations, omissions and data inaccuracies that apply **after** a loan has demonstrated an acceptable payment history and qualified for enforcement relief. Note that this section addresses only a subset of the requirements in Bulletin 2012-18 pertaining to misstatements, misrepresentations, omissions and data inaccuracies. Refer to the Bulletin for the complete requirements.

Misstatements, misrepresentations and omissions

If the Seller/Servicer or Freddie Mac discovers that one party to the transaction has misstated, misrepresented or omitted information used to originate that loan, the loan is still eligible for relief if it otherwise satisfied the representation and warranty relief eligibility requirements. The following example provided in Bulletin 2012-18 illustrates a scenario where there was an individual Borrower misrepresentation, but the loan is eligible for relief:

- A Borrower borrows $10,000 from his friend as part of a down payment on a home. He has promised to pay his friend back with interest. The Borrower provides a falsified gift letter to the Seller. Once the Borrower has established an acceptable payment history, the Seller/Servicer would *not* be required to repurchase the loan even if the Seller/Servicer subsequently discovered that part of the

down payment was borrowed because the Borrower's misstatement to the Seller affected only one loan.

Mortgages that have a misstatement, misrepresentation or omission that involves two or more parties to the transaction **and** two or more loans are not eligible for relief. The following example from Bulletin 2012-18 illustrates an omission that involved two or more parties and two or more Mortgages sold to Freddie Mac:

- A realtor and a property developer decide that in order to sell several new homes faster, they provide several Borrowers with a $15,000 rebate outside of closing that was not disclosed in the sales contract or HUD-1 Settlement Statement. This practice is in violation of Freddie Mac's interested party contribution requirements. In this instance, the Seller/Servicer *must* repurchase the Mortgages, if requested, even if the Borrowers have established acceptable payment histories and the Mortgages are otherwise eligible for relief.

Data inaccuracies

The requirements of Bulletin 2012-18 pertaining to data inaccuracies addresses the operational or other risks related to the Seller's failure to deliver accurate data to Freddie Mac. Our focus will be on identifying delivery data that differs from the information documented in the Mortgage files on multiple loans. If the information in the Mortgage files indicates the loans were not eligible for sale to Freddie Mac under the Purchase Documents, Seller/Servicers may be required to repurchase the Mortgages, or Freddie Mac may offer an alternative remedy to repurchase. The example provided in Bulletin 2012-18 that illustrates a data issue of this nature is as follows:

- As a result of a system upgrade, a coding error is introduced into a Seller's system such that the Indicator Score is incorrectly calculated and the Seller reports inaccurate Indicator Scores at loan delivery. A review of the credit reports in the Seller's origination files shows that for multiple Mortgages the actual Indicator Scores were lower than those reflected in the data provided at delivery, and the actual Indicator Scores did not meet Freddie Mac's eligibility requirements. The Seller/Servicer would be responsible for remedying the systemic error, and may be required to repurchase the affected Mortgages.

CONCLUSION

Seller/Servicers that have questions about this announcement should contact their Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2012-23

TO: Freddie Mac Servicers | October 31, 2012

SUBJECTS

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

- Announcing delegation agreements with MIs for standard short sales and deeds-in-lieu of foreclosure
- Updating our Servicer mortgage insurance claim documentation delivery requirements
- Aligning our Imminent Default Hardship documentation requirements for Home Affordable Modification Program (HAMP) modifications and Freddie Mac Standard Modifications with the documentation requirements in Guide Section 65.17, *Verifying a Borrower's Hardship*
- Announcing the use of the Automated Clearing House (ACH) to receive reimbursement of expenses and payment of incentives
- Revising our requirements for recommending a charge-off to Freddie Mac
- Revising our requirements for pre-referral account reviews
- Revising our reimbursement requirements with respect to the reimbursement of the first tax penalty on a non-escrowed Mortgage
- Adding provisions relating to diversity and inclusion as required by the Housing and Economic Recovery Act of 2008 (HERA) and the Federal Housing Finance Agency (FHFA) implementing regulations
- Updating Section 51.3(a) in Volume 2 of the Guide to refer Servicers to Section 2.24, *Freddie Mac Exclusionary List*, in Volume 1 of the Guide, which includes all Servicer requirements relating to the Exclusionary List

EFFECTIVE DATE

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

MI DELEGATIONS OF AUTHORITY

Effective November 1, 2012

Freddie Mac is pleased to announce that it has reached agreements with several MIs allowing Freddie Mac and its Servicers to review and approve alternatives to foreclosure for Mortgages covered by mortgage insurance policies without obtaining pre-approval from the applicable MIs. These standard delegation agreements were agreed to by each MI, Freddie Mac and Fannie Mae as part of the Servicing Alignment Initiative (SAI) under the auspices of FHFA. The list of MIs participating in this effort can be reviewed by logging into the Freddie Mac Service Loans application then selecting the tab labeled "My Home," and clicking on the link to "Delegated MI Companies." The list will be updated from time to time if new MIs are added or subtracted from the list.

Only short sales and deeds-in-lieu of foreclosure that are completed in accordance with Freddie Mac's requirements under the Guide are delegated. Therefore, Servicers must be even more diligent in ensuring that those requirements, which are found in Guide Chapters B65, *Workout Options*, and D65, *Home Affordable Foreclosure Alternatives*, are carefully followed. A short sale or deed-in-lieu of foreclosure that falls outside the Guide requirements will not only violate the Guide but may also violate the delegation agreement. When the Guide gives the Servicer latitude in reaching a reasonable alternative to foreclosure, the Servicer must exercise its judgment conservatively to ensure that the approved workout option is fair and prudent.

Both Freddie Mac and each MI will be closely watching performance of these short sales and deeds-in-lieu of foreclosure and auditing the mortgage files to ensure compliance. As happens today, when a claim is submitted by Freddie Mac to the MI, Servicers must quickly and accurately deliver the information requested by the MI as part of the claim process. Any claim that is curtailed or denied due to Servicer non-compliance with the Guide, the terms of the mortgage insurance policy or the Servicer's failure to provide accurate information when requested, will result in Freddie Mac exercising its remedies against the Servicer. Moreover, any Servicer that shows a repeated pattern of misusing the delegations may be barred from further use, required to submit all alternatives to foreclosure to Freddie Mac for approval or subject the Servicer to additional recourse.

Servicers are directed to take advantage of the extensive training and educational materials about alternatives to foreclosure on our Loss Mitigation web page of the Learning Center at **http://www.freddiemac.com/learn/service/loss_mitigation.html.** Moreover, Servicers are encouraged to contact their Servicing Account Managers as frequently as necessary with questions or concerns regarding the delegation agreements, Freddie Mac's alternatives to foreclosure and any other subjects that impact Servicers' ability to execute on these alternatives to foreclosure.

Using this delegated authority will create new efficiencies in the review and approval of alternatives to foreclosure, saving eligible Borrowers from foreclosure and reducing losses across the mortgage industry. It is critically important that Servicers use these delegations to effectively implement Freddie Mac's alternatives to foreclosure quickly, efficiently and accurately so that these benefits can be realized as soon as possible.

MORTGAGE INSURANCE CLAIM DOCUMENTATION DELIVERY

We have revised Sections 70.7, *Mortgage Insurance Claim Filing*, and B65.9, *Mortgage Insurance Claims*, to require that Servicers provide all information and documentation pertaining to the claim to the MI no later than 60 days after the foreclosure sale, short sale or acceptance of the deed-in-lieu of foreclosure, or within any shorter time frame as specified by the mortgage insurance master policy or by Freddie Mac.

ALIGNMENT OF IMMINENT DEFAULT HARDSHIP DOCUMENTATION

In Bulletin 2011-11, we aligned our income documentation requirements for all modifications offered under the Guide and reminded Servicers that there were no changes to the additional documentation requirements necessary to complete an imminent default evaluation. With this Bulletin, we are revising our requirements for documenting an Imminent Default Hardship for both HAMP modifications and Standard Modifications. Effective immediately, Servicers may rely on the documentation required in Section 65.17 when evaluating a Borrower for imminent default.

Sections 65.8, *Performance Standards*, B65.15, *Determining Imminent Default for a Freddie Mac Standard Modification*, B65.17, *Borrower Documentation*, and C65.5.2, *Determining Imminent Default*, have been updated to reflect these changes.

REIMBURSEMENTS OF EXPENSES AND PAYMENT OF INCENTIVES THROUGH THE ACH

With this Bulletin, we are providing Servicers with the option of using the ACH to receive reimbursement of eligible expenses and payment of incentives.

The use of this new reimbursement method is optional, but we strongly encourage Servicers to participate as it will eliminate the need for paper checks. Refer to new Guide Exhibit 98, *Expense Reimbursement/Incentive Payment Authorization Agreement for ACH Credits*, for instructions on submitting the agreement form and other required documentation.

We have updated Sections 64.2, *General Requirements*, 65.42, *Compensation Program*, and 71.2, *Process for Requesting Expense Reimbursement*, to reflect these changes.

RECOMMENDING A CHARGE-OFF TO FREDDIE MAC

We have revised our requirements for recommending a charge-off to Freddie Mac to:

- Limit further the types of low balance conventional Mortgages that should be recommended to Freddie Mac for charge-offs to include only those Mortgages that meet all of the following requirements: have unpaid principal balances (UPB) of $5,000 or less, are at least 120 days delinquent and are secured by a property that is owner-occupied and for which property inspections continue to show the property maintenance to be both up to neighborhood standards and in compliance with municipal requirements
- Eliminate land value as a condition to consider when evaluating condemned properties for charge-off recommendation

Sections 59.1, *Escrow for Taxes, Ground Rents, Assessments and Other Charges*, 65.14, *Charge-Off*, B65.49, *What is a Charge-Off*, B65.50, *When a Servicer Must Recommend a Charge-Off*, 66.29, *Expenses that May Become First Liens on the Property*, 78.6, *Reporting and Remitting*, Exhibit 57, *1- to 4-Unit Property Approved Expense Amounts*, and Directory 5 have been revised to reflect these changes.

PRE-REFERRAL ACCOUNT REVIEW

We have revised Section 66.9, *Pre-Referral Account Review*, to require that as part of the pre-referral account review, a Servicer must seek Freddie Mac approval to refer a Mortgage to foreclosure if the property inspections or any other information provided to the Servicer indicates that the property securing a Freddie Mac Mortgage may pose a Risk of Property Ownership to Freddie Mac or that proceeding with foreclosure may not be in Freddie Mac's best interest.

REIMBURSEMENT OF FIRST TAX PENALTY ON A NON-ESCROWED MORTGAGE

We are revising our reimbursement requirements with respect to the reimbursement of the first tax penalty on a non-escrowed Mortgage.

Under Section 71.14, *Reimbursement of Taxes*, Freddie Mac will reimburse the Servicer for taxes the Borrower did not pay and the first tax penalty incurred on a non-escrowed Mortgage. However, Section 71.14 also states that the Servicer will not be reimbursed for any late fees, interest and penalties other than the first tax penalty on a non-escrowed Mortgage.

We have revised Section 71.14 to state that if a taxing authority considers "interest" as a penalty or as part of the penalty, Freddie Mac will reimburse the Servicer for the first assessment of the interest penalty only. Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*, has also been revised to allow the Servicer to use expense code, 074005, "First Tax Penalty on Non-Escrowed Mortgages" when submitting a reimbursement claim request for the first tax penalty, which may include interest, via the Reimbursement System.

We have updated Section 71.14 and Exhibit 74 to reflect this change.

HOUSING AND ECONOMIC RECOVERY ACT OF 2008 (HERA)

To reaffirm our commitment to diversity and inclusion, we have revised Section 2.19, formerly *Minority-Owned And Women-Owned Business Enterprises*, now re-titled *Minority-Owned, Women-Owned and Disabled-Owned Business Enterprises*, and we have also updated Section 53.8, *Compliance with Applicable Law*, to confirm that under the provisions of the HERA, Freddie Mac must ensure that Servicers, and those with whom the Servicers do business, comply with principles of equal employment opportunity and non-discrimination in all their business activities. Servicers must provide Freddie Mac with information and appropriate certifications upon request.

We have also updated the Glossary to revise the definitions of “Minority-Owned Business Enterprise” and “Women-Owned Business Enterprise” and add a definition for “Disabled-Owned Business Enterprise” to be consistent with the HERA and the FHFA implementing regulation requirements.

We will update Form 16SF, *Annual Eligibility Certification Report*, to reflect these changes and revise the "ownership" certification in the Form 16SF in the future. We will notify Servicers when we make these updates.

FREDDIE MAC EXCLUSIONARY LIST

We have revised Section 51.3(a) to refer Servicers to Section 2.24 for all Servicer requirements relating to the Exclusionary List.

REMINDERS

Offshore accounts prohibited for Custodial Accounts

We are reminding Servicers that Section 77.8, *Opening Custodial Accounts*, provides that a financial institution at which the Servicer opens and maintains Custodial Accounts must qualify as an Eligible Depository. Servicers may not use an offshore account (even if only for overnight sweeps) to hold funds associated with Freddie Mac Mortgages because offshore accounts are not insured by the FDIC or NCUSIF as required in Section 77.9, *Depository Eligibility Requirements*.

Balloon/Reset Mortgage retirement

As announced in Bulletin 2012-19, we will no longer purchase Balloon/Reset Mortgages for Mortgages with Settlement Dates on or after January 1, 2013. With this Bulletin, we are notifying Servicers that although we will no longer purchase Balloon/Reset Mortgages, there are no changes to the requirements for Servicing Balloon/Reset Mortgages. All of the requirements in Chapter A83, *Additional Servicing Requirements for Maturing Balloon/Reset Mortgages*, will continue to apply.

ARM rate cap requirement revisions

As announced in Bulletin 2012-21, effective for Mortgages with Settlement Dates on or after July 1, 2013, all ARMs with Initial Periods less than or equal to five years must have Initial Caps and Periodic Caps that are less than or equal to 2%. As a result of the ARM changes, ARM products with caps exceeding the revised limits, including, but not limited to, 5/1 ARMs with a 5-2-5 cap structure, and all 3/6-month ARMs and 5/6-month ARMs will be retired.

With this Bulletin, we are notifying Servicers that although we are making these ARM rate cap requirement revisions and retiring certain ARM products, there are no changes to the requirements for Servicing ARMs.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 51, 53, 59, 64, 65, B65, C65, 66, 70, 71 and 78
- Exhibits 57, 74, 83A and 98
- Directory
- Glossary

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Bulletin

NUMBER: 2012-24

TO: Freddie Mac Sellers and Servicers November 2, 2012

SUBJECT: REQUIREMENTS RELATED TO PROPERTIES AFFECTED BY DISASTERS

INTRODUCTION

As the effects of Hurricane Sandy continue to unfold, Freddie Mac has developed relief measures to assist Borrowers whose lives have been impacted by the disaster. With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing revisions to our selling requirements, which include revised property valuation requirements for Freddie Mac Relief Refinance Mortgages[SM] secured by properties that are damaged as a result of a disaster and revised age of documentation requirements for Mortgages secured by properties affected by Hurricane Sandy.

Please note that the updates in this Bulletin do not impact Servicing requirements; however Servicers should review the "Reminders for Seller/Servicers" section at the end of this Bulletin.

PROPERTY VALUATION REQUIREMENTS FOR RELIEF REFINANCE MORTGAGES

Guide Section 44.2(c) addresses properties affected by disasters. Specifically, Freddie Mac expects that when a major disaster or emergency occurs, a Seller be prepared to address property damage issues that may affect the acceptability of properties as security for Mortgages and have established procedures to inspect properties and address property condition issues.

Notwithstanding the recommended steps listed in Section 44.2(c), for Relief Refinance Mortgages secured by properties in areas affected by hurricanes or other natural disasters, a Seller is not required to determine if an additional property inspection or a new appraisal is necessary after an initial property valuation has been relied on, provided that the Mortgage meets the requirements of Guide Chapter 58**,** *Property Insurance*.

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

AGE OF DOCUMENTATION REQUIREMENTS FOR MORTGAGES IMPACTED BY HURRICANE SANDY

With this Bulletin, we are revising certain requirements for Mortgages secured by properties located in eligible Disaster Areas impacted by Hurricane Sandy. For the purposes of this Bulletin, "an eligible Disaster Area" is an area comprised of counties or municipalities that have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available. These areas are published by the Federal Emergency Management Agency (FEMA) on its web site.

For Mortgages that have Application Received Dates on or before and Note Dates after November 1, 2012 and are secured by properties located in eligible Disaster Areas affected by Hurricane Sandy, the following temporary requirements apply:

- Property valuation documentation, including the point value estimate from Home Value Explorer® (HVE) or the new appraisal, as applicable, must be dated no more than 180 days before the Note Date. For the purposes of this Bulletin, the "Note Date" is the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages and the Conversion Date for Seller-Owned Converted Mortgages, as applicable.
- Any required underwriting documentation, including, but not limited to, Loan Prospector® Feedback Certificates, credit reports, verifications of income, employment and sources of funds, must be dated no more than 180 days before the Note Date.

  Note: Loan Prospector will automatically pull a new credit report for Mortgages that are submitted or resubmitted to Loan Prospector 120 days or more after the date of the credit report. The most recent credit report must be used to analyze the Borrower's credit reputation and determine the Indicator Score, as applicable.

For these Mortgages, our requirements for verbal verifications of employment and verifications of existence of business have not changed. Verbal verifications of employment, if required, must be dated no more than 10 Business Days prior to the Note Date and verifications of existence of business, if required, must be dated no more than 30 calendar days prior to the Note Date, as applicable.

For Mortgages that meet the requirements above, Sellers are permitted to use these temporary requirements in conjunction with their negotiated terms.

The Guide will not be updated to include these temporary requirements. Sellers should retain a copy of this Bulletin to ensure compliance with these requirements.

REMINDERS FOR SELLER/SERVICERS

Providing Mortgage relief to Borrowers affected by Hurricane Sandy

Seller/Servicers are reminded to review the press release issued by Freddie Mac on October 30, 2012 at: **http://freddiemac.mediaroom.com/index.php?s=12329&item=135028** for information on providing Mortgage relief to Borrowers affected by Hurricane Sandy. Seller/Servicers are also reminded that they must comply with the requirements set forth in Chapter 68, *Servicing Mortgages Impacted by a Disaster*, which include:

- Short-term suspension of collection and foreclosure proceedings for up to 12 months from the date a disaster strikes to help accommodate financial hardship, based on the relative merits of each case
- Not assessing late charges or reporting to credit repositories for Borrowers on a forbearance plan or paying as agreed on a repayment plan
- Providing help with options for local, State or federal disaster assistance
- Monitoring and coordinating the insurance claim process

Seller/Servicers are further reminded that if a Borrower resides in an area devastated by Hurricane Sandy and requests help with their Mortgage payments, but the destruction is not severe enough for the President of the United States to issue a Major Disaster Declaration with federal Individual Assistance, Servicers should provide Mortgage relief using our standard Mortgage relief options, as described in Chapters A65, *Reinstatements and Relief Options*, B65, *Workout Options*, and C65, *Home Affordable Modification Program*.

Maintaining insurance for Mortgaged Premises affected by Hurricane Sandy

Seller/Servicers are reminded that for as long as Freddie Mac owns an interest in a Mortgage, the Seller/Servicer must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in Chapter 58, and in accordance with the terms of the Security Instrument and applicable law.

CONCLUSION

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

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

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Bulletin

NUMBER: 2012-25

TO: Freddie Mac Servicers November 9, 2012

SUBJECT: SERVICER SELECTION, RETENTION AND MANAGEMENT OF LAW FIRMS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing new requirements with respect to the management of law firms for bankruptcies and default-related legal matters, which include foreclosures, loss mitigation (e.g., deed-in-lieu of foreclosure) and related litigation involving Freddie Mac-owned or guaranteed Mortgages ("Freddie Mac Default Legal Matters"). These requirements are being initiated jointly with Fannie Mae at the direction of our regulator, the Federal Housing Finance Agency (FHFA).

EFFECTIVE DATE

All changes announced in this Bulletin are effective on **June 1, 2013** unless otherwise noted.

Effective June 1, 2013, all new referrals for Freddie Mac Default Legal Matters must be sent to law firms that Servicers have selected and engaged under the requirements in new Guide Chapter 69, *Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters.* Servicers may no longer send foreclosure referrals directly to trustees.

All existing requirements related to the retention of law firms or use of designated counsel remain in effect for all referrals of Freddie Mac Default Legal Matters sent to such law firms or trustees prior to June 1, 2013 ("Legacy Matters"). Servicers may reference these requirements in new Chapter A69, *Retention of Counsel for Freddie Mac Default Legal Matters Prior to June 1, 2013.*

However, Servicers may at their own expense elect to transfer Legacy Matters to law firms selected and retained under the new requirements set forth in Chapter 69 provided that Servicers:

- Provide Freddie Mac with five Business Days' prior written notice of such transfers via e-mail to **legal_servicerselection@freddiemac.com**; and
- Assume responsibility for any errors, omissions or delays by the transferee firm

In addition, Freddie Mac Default Legal Matters referred to law firms prior to June 1, 2013 may remain with such law firms. If a Servicer elects to leave Legacy Matters at a law firm that it does not select and engage pursuant to this Bulletin and Chapter 69, then on or after June 1, 2013, the Servicer must comply with the requirements of Chapter 69 related to monitoring and management of the law firm, reporting, escalation of issues and termination and suspension of law firms. The Servicer will not be required to ensure that law firms selected in accordance with Guide requirements in effect prior to June 1, 2013 comply with the "Firm Minimum Requirements" in Guide Section 69.3, *Firm Minimum Requirements*, new firm training requirements in Section 69.6, *Training of Firms*, or Freddie Mac's limited retention agreement with the law firm.

All referrals of Freddie Mac Default Legal Matters to law firms on or after June 1, 2013 will be governed by the new requirements for law firm selection and engagement. Servicers must be proactive in selecting and engaging law firms in all States in which the Servicers has, or anticipates having, delinquent Freddie Mac-owned or guaranteed Mortgages prior to June 1, 2013, to be in a position to begin making new referrals on that date. To facilitate an orderly and timely selection and engagement process, Servicers may submit law firm selections to Freddie Mac for review as early as March 1, 2013.

Except with respect to Legacy Matters, law firms that are currently part of Freddie Mac's designated counsel program are not exempt from the new selection and engagement process in Chapter 69. If a Servicer intends to refer new Freddie Mac Default Legal Matters to an existing designated counsel firm on or after June 1, 2013, the Servicer must select and engage the law firm in accordance with the process set forth in Chapter 69.

NEW REQUIREMENTS IN CHAPTER 69

Chapter 69 incorporates new requirements related to the management of Freddie Mac Default Legal Matters that address the three main stages of law firm interaction, including:

- Engagement
  - Firm Minimum Requirements specified in Section 69.3
  - Firm selection and contract
  - New firm training
- Management and oversight
  - Diversification of referrals
  - Performance and compliance monitoring
  - Ongoing training
  - Reporting
  - Escalations
- Termination and suspension
  - Determining whether to terminate a law firm or suspend referrals
  - Implementing a termination of a law firm or suspension of referrals and transfer of files

Servicers should review Chapter 69 in its entirety to familiarize themselves with all new requirements related to the selection, retention and management of a law firm for Freddie Mac Default Legal Matters.

Engagement

Law firm selection and retention

With respect to referral of Freddie Mac Default Legal Matters on or after June 1, 2013, all law firms selected and retained by the Servicer to handle Freddie Mac Default Legal Matters must meet the Firm Minimum Requirements. If the Servicer determines that a particular law firm meets the Firm Minimum Requirements, then the Servicer must complete Guide Exhibit 99, *Servicer Selection Form*, and submit the exhibit to Freddie Mac for review. Freddie Mac will respond to the Servicer with a "no objection" or "objection" determination, or ask for additional information about the law firm. Freddie Mac expects to be able to respond to the Servicer within 15 Business Days after receipt of a submitted Exhibit 99, but additional time may be required, particularly during the months preceding and immediately after June 1, 2013.

On or after March 1, 2013, Servicers may begin sending Exhibit 99 to Freddie Mac for review and response. Freddie Mac will communicate additional details with respect to the submission of Exhibit 99 prior to March 1, 2013.

If Freddie Mac provides a “no objection” response to the Servicer’s submission of Exhibit 99, the Servicer must enter into a contract with the law firm (if a contract does not already exist) to handle Freddie Mac Default Legal Matters. In addition, Freddie Mac will enter into a limited retention agreement with the law firm that sets forth certain key retention provisions with the law firm for each State in which the law firm has received a “no objection” determination.

The limited retention agreement will recognize a joint attorney-client relationship between the law firm, Freddie Mac and the Servicer. In the event of any inconsistency or conflict between the terms and conditions of the Servicer’s contract with the law firm and the terms and conditions of Freddie Mac’s limited retention agreement with the law firm, Freddie Mac’s limited retention agreement shall control. Freddie Mac will communicate to Servicers in the near future instructions on accessing a template of the limited retention agreement for each State.

Refer to Section 69.4, *Selection of Firm*, and Section 69.5, *Retention of Firm*, for additional requirements related to the selection and retention of the law firm.

Law firm training

Law firms selected to receive referrals made on or after June 1, 2013, must attend Freddie Mac’s new firm training before Freddie Mac will enter into a limited retention agreement with the law firm.

Freddie Mac’s new firm training will be available beginning **April 15, 2013**, and will address law firm reporting requirements and issues specific to the representation of Freddie Mac relating to the handling of Freddie Mac Default Legal Matters and non-routine litigation. Additional information related to new firm training will be available early in 2013.

On or after June 1, 2013, the Servicer may only refer Freddie Mac Default Legal Matters to a law firm once the Servicer has verified that the law firm has completed Freddie Mac’s new firm training and that the law firm has executed a limited retention agreement with Freddie Mac.

Law firms only have to attend Freddie Mac’s new firm training and enter into a limited retention agreement with Freddie Mac once, regardless of the number of Servicers that select and engage the law firm.

Refer to Section 69.6 for additional requirements related to law firm training.

Management

The Servicer is responsible for managing and monitoring all aspects of law firm performance, providing necessary assistance to the law firm relating to Freddie Mac Default Legal Matters and undertaking all activities required to protect Freddie Mac’s interest in the Mortgage.

Diversification of referrals

The Servicer must diversify its referrals of Freddie Mac Default Legal Matters to an appropriate number of law firms to protect the interests of Freddie Mac and to mitigate the risks related to a high concentration of Freddie Mac files. In selecting law firms for referrals, the Servicer must consider at a minimum, law firm capacity and management of staff-to-file ratios.

Refer to Section 69.7, *Referral of Freddie Mac Default Legal Matters to Firm*, for additional requirements related to the referral of Freddie Mac Default Legal Matters.

Performance and compliance monitoring

The Servicer must establish compliance processes, policies and procedures to monitor the performance of each law firm and ensure that each law firm complies with applicable Freddie Mac requirements.

Freddie Mac will review each Servicer's compliance processes periodically and may require the Servicer to conduct additional compliance activities related to each law firm, such as additional audits, reviews or law firm assessments or to change the scope of the compliance activities relating to Freddie Mac Default Legal Matters or a particular law firm.

Refer to Section 69.11, *Servicer Monitoring and Management of Firm*, for additional requirements related to compliance monitoring.

Required reporting

Upon request, the Servicer must provide to Freddie Mac reports related to law firm performance, management of foreclosure and bankruptcy processes, oversight of law firm compliance and other related matters as required by Freddie Mac. All law firms will be required to report data directly to Freddie Mac.

Additional requirements with respect to the data and reports the Servicer and law firm must provide to Freddie Mac will be communicated in a future Bulletin.

Escalations

If the Servicer becomes aware of any issues or concerns (e.g. non-routine litigation, fraud, criminal investigations, etc.) relating to Freddie Mac Default Legal Matters or a law firm, the Servicer must notify Freddie Mac within two Business Days, or sooner if circumstances warrant.

The Servicer must designate specific points of contact responsible for communicating such matters to Freddie Mac, requesting additional information from a law firm, providing further information to Freddie Mac, and taking such other steps as requested by Freddie Mac. The Servicer also must ensure that each law firm retained has identification and escalation procedures instituted to notify the Servicer and Freddie Mac of the occurrence of any issues or concerns.

Refer to Section 69.12, *Escalation of Issues to Freddie Mac*, for additional requirements related to escalation of issues to Freddie Mac.

Termination and suspension

If the Servicer becomes aware of information regarding a law firm that might warrant termination of the law firm, suspension of referrals to such law firm, or transfer of current files from such law firm, the Servicer must conduct a due diligence review to determine if the law firm is no longer eligible to handle Freddie Mac Default Legal Matters.

After completing the due diligence review, if the Servicer decides to terminate the law firm from handling Freddie Mac Default Legal Matters, suspend referrals to the law firm, and/or transfer files from the law firm, the Servicer must notify Freddie Mac at least five Business Days prior to implementing the decision, or sooner if circumstances warrant.

For additional requirements related to termination and suspension of law firms, refer to Section 69.13, *Termination and Suspension of Firms*, and 69.14, *Implementing the Termination and Suspension of Firms.*

Additional Servicing requirements

Routine and non-routine litigation – Effective immediately

We have updated Section 67.17, *Non-Routine Default-Related Legal Matters*, to further distinguish litigation that is routine versus non-routine, and provide additional guidance with respect to non-routine litigation based on the following categories:

1. Actions where Freddie Mac is a named party;
2. Actions that seek monetary relief against Freddie Mac such as any claim (including counterclaims, cross-claims or third party claims in foreclosure or bankruptcy actions) for damages against Freddie Mac or its officers, directors or employees;
3. Actions that challenge the validity, priority or enforceability of a Freddie Mac-owned or guaranteed Mortgage or seek to impair Freddie Mac's interest in a Real Estate Owned (REO); and
4. Actions that present an issue that may pose significant legal or reputational risk to Freddie Mac

We have also relocated Servicer reporting and notification requirements related to routine and non-routine litigation to Section 67.18, *Reporting and Notification Requirements for Freddie Mac Default-Related Legal Matters*.

Servicers must continue to notify Freddie Mac of any non-routine litigation and report both routine and non-routine matters involving Mortgages that are 30 or more days delinquent via Electronic Default Reporting (EDR) in accordance with Section 67.18.

Use of counsel for Mortgages subject to indemnification

Counsel retained and paid by Servicers pursuant to their indemnification or full recourse obligations to Freddie Mac need not be selected and engaged pursuant to the law firm selection and retention requirements in Chapter 69.

Refer to Section 67.19, *Counsel Retained by Servicers Pursuant to Servicer's Duty to Indemnify Freddie Mac*, for additional requirements related to counsel selected pursuant to a Servicer's indemnification obligations to Freddie Mac.

Foreclosure sale bidding

Effective June 1, 2013, designated counsel will no longer obtain a valuation from Freddie Mac through BPOdirect® if designated counsel was used to process the foreclosure on Legacy Matters. Further, designated counsel will no longer determine the beginning bid and final bid at a foreclosure sale.

For all foreclosure referrals, including Legacy Matters, Servicers must obtain a valuation from Freddie Mac through BPOdirect in accordance with Section 66.39, *When to Obtain a Valuation for Foreclosure Sale Bidding*, and set the foreclosure bid amount in accordance with the requirements of Sections 66.42, *Delegated Bidding*, and 66.43, *First Lien Mortgages Not Covered by Mortgage Insurance*.

Allowable attorney fees

Exhibit 57A, *Approved Attorney Fees and Title Expenses*, currently sets forth the maximum allowable amounts Freddie Mac will reimburse Servicers for attorney fees related to foreclosure and bankruptcy that are not submitted via a 104DC claim. Freddie Mac is reviewing the allowable limits for these expenses, and will communicate any revisions to allowable amounts and/or changes to the reimbursement process in a future Bulletin.

Until notified otherwise by Freddie Mac, Servicers must continue to follow Guide requirements related to the reimbursement of attorney fees, including the allowable amounts for reimbursement as set forth in Exhibit 57A.

As a reminder, Servicers must ensure that attorney fees and costs incurred are reasonable and customary for the area in which the property is located. If amounts exceed current expense limits in Exhibit 57A, Servicers must continue to request Freddie Mac's approval prior to incurring the expense.

For Freddie Mac Default Legal Matters referred to designated counsel prior to June 1, 2013, Servicers must continue to pay designated counsel for the fees they submit on the 104DC claim and Freddie Mac will reimburse the Servicer for those amounts submitted on the 104DC claim.

SERVICER TRAINING

Training will be available beginning November 19, 2012 to help Servicers further understand the new requirements related to the selection, retention and management of law firms for Freddie Mac Default Legal Matters. We strongly encourage enrollment in our new webinar at **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=SAI_SSMLF**.

Servicers should visit our Learning Center web page at **http://www.freddiemac.com/learn/service/** for additional Servicing training information and training resources.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 1, 2, 18, 50, 53, 54, 64, 65, 66, 67, 69, A69 and 71
- Exhibit 99
- Directory
- Glossary

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

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Bulletin

NUMBER: 2012-26

TO: Freddie Mac Servicers November 13, 2012

SUBJECT: SERVICING REQUIREMENTS RELATED TO PROPERTIES AFFECTED BY HURRICANE SANDY AND OTHER DISASTER-RELATED REQUIREMENTS

Freddie Mac is committed to ensuring that Borrowers receive the Mortgage assistance they need to overcome the devastating tragedy of Hurricane Sandy.

We appreciate the understanding and consideration that Freddie Mac Servicers have extended to Borrowers coping with Hurricane Sandy-related hardships, and in order to help ensure Borrowers continue to receive the assistance they need during this difficult time, we are revising certain requirements for Borrowers whose homes or place of employment were destroyed or damaged by Hurricane Sandy.

As we continue to leverage our own on-site visual assessments, damage reports from federal agencies and other resources, Freddie Mac may further refine its temporary disaster relief requirements to appropriately match the evolving needs of homeowners living or working in areas affected by Hurricane Sandy.

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

- Implementing temporary requirements to enable Servicers to provide greater levels of assistance to Borrowers impacted by Hurricane Sandy
- Providing more flexible short-term forbearance requirements for Borrowers whose Mortgaged Premises or place of employment is located in an eligible Disaster Area

For the purpose of this Bulletin, "an eligible Disaster Area" is an area comprised of counties or municipalities that have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available. These areas are published by the Federal Emergency Management Agency (FEMA) on its web site at **http://www.fema.gov/disasters**. Servicers must continue to monitor the FEMA web site because new eligible Disaster Areas may continue to be identified as damage assessments and processing of requests for federal assistance are completed.

EFFECTIVE DATE

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

TEMPORARY REQUIREMENTS TO ASSIST BORROWERS IMPACTED BY HURRICANE SANDY

In Bulletin 2012-24, Freddie Mac reminded Servicers of its requirements for Servicing Mortgages secured by properties located in an eligible Disaster Area. As the effects of Hurricane Sandy continue to unfold, Freddie Mac is working with Servicers to develop additional relief measures to assist Borrowers whose lives have been devastated by the disaster.

The following temporary requirements apply to Borrowers with Mortgaged Premises or places of employment impacted by Hurricane Sandy in an eligible Disaster Area.

Suspension of foreclosures

For Mortgages secured by properties located in eligible Disaster Areas as a result of Hurricane Sandy, Freddie Mac is requiring Servicers to suspend all foreclosure sales for 90 days beginning on the date that FEMA declared the area to be an eligible Disaster Area. For these Mortgages, Servicers must adhere to the forbearance reporting requirements in Guide Section 68.6, *Reporting to Freddie Mac*.

Suspension of evictions

Freddie Mac requires its Servicers and law firms to suspend eviction closings for 90 days beginning on the date of this Bulletin for Borrowers with Mortgage Premises located in an eligible Disaster Area as a result of Hurricane Sandy. We will continue to assess the damage and will reevaluate our requirements as circumstances dictate.

Seasoning of documents and determining market value of the property

We are temporarily amending the requirements in Guide Chapters 65, *Loss Mitigation*, B65, *Workout Options*, C65, *Home Affordable Modification Program*, and D65, *Home Affordable Foreclosure Alternatives*, to extend the age of documentation and property valuations. If, at the end of the forbearance period, the Servicer works with the Borrower to determine that one of our alternatives to foreclosure is an effective solution for the Borrower, documentation to support income, credit reports and the property valuation may not exceed 180 days as of the evaluation date.

If the estimated market value of the Mortgaged Premises is obtained from the Freddie Mac Service Loans application, Servicers may add an additional 90 days to the "good through date" provided by the Service Loans application, indicating the expiration date of the property value and minimum net proceeds amount. If the Mortgaged Premises was damaged or impacted by Hurricane Sandy, Freddie Mac requires the Servicer to obtain a new property valuation.

Property insurance claims

For Mortgaged Premises that sustained damage from Hurricane Sandy in an eligible Disaster Area, and as a result require up front insurance proceeds for Borrowers to repair or rebuild their homes, Freddie Mac is temporarily revising certain requirements in Section 58.10, *Insurance Loss Settlements*, for the distribution of insurance claim proceeds to expedite the release of insurance funds to impacted Borrowers. Servicers must refer to FEMA's web site to determine if the affected Mortgaged Premises are in counties impacted by Hurricane Sandy that are in eligible Disaster Areas.

The grid below provides instructions to Servicers on how they may release insurance proceeds to Borrowers who need to advance funds to contractors for the repair of their Mortgaged Premises:

Loan Status	Property Condition	
Current – 30 days delinquent	Insured improvements have suffered a total or near total loss	Insured improvements have less than a total or near total loss, but insurance proceeds are needed to repair the property
	Primary Residence: The Servicer may release insurance proceeds up to **the greater of** $40,000 or 10% of the unpaid principal balance (UPB), as follows: ■ Proceeds of $20,000 or less: the Servicer may release directly to the Borrower without an affidavit in which the Borrower expressly agrees to apply the released funds ■ Proceeds greater than $20,000 must be made payable to both the Borrower and the contractor For proceeds in excess of $40,000 Servicers must comply with all provisions of Section 58.10 and Chapter 68, *Servicing Mortgages Impacted by a Disaster*, unless otherwise modified in this chart.	Primary , second homes and Investment Properties: The Servicer may release insurance proceeds up to **the greater of** $40,000 or 10% of the unpaid principal balance (UPB), as follows: ■ Proceeds of $20,000 or less: the Servicer may release directly to the Borrower without an affidavit in which the Borrower expressly agrees to apply the released funds ■ Proceeds greater than $20,000 must be made payable to both the Borrower and the contractor For proceeds in excess of $40,000, Servicers are expected to comply with all provisions of Section 58.10 and Chapter 68 unless otherwise modified in this chart.
	Second home or Investment Property: The Servicer may release insurance proceeds up to 20% of the total claim proceeds, but not more than $15,000, to the Borrower and the contractor. For proceeds in excess of $15,000, Servicers must comply with all provisions of Section 58.10 and Chapter 68 unless otherwise modified in this chart.	
31 days or more delinquent including foreclosure	Section 58.10 and Chapter 68 apply to these Mortgages, with the exception of the reporting and related recommendation requirements for: ■ Loans in foreclosure ■ The insured improvements have suffered a total or near total loss	Section 58.10 and Chapter 68 apply to these Mortgages, with the exception of the reporting and related recommendation requirements for loans in foreclosure

As a reminder, insurance proceeds for losses related to contents (as opposed to structural losses) or for off-residence living expenses, if made payable jointly to the Servicer and the Borrower, must be released to the Borrower without delay.

During the Servicer's review, if the Servicer determines that any of the below conditions exist, the Servicer must submit its recommendation along with the appropriate documentation to Freddie Mac (see Directory 5) on Guide Form 105, *Multipurpose Loan Servicing Transmittal*, within five Business Days of learning of the situation:

- The Mortgaged Premises have been acquired by Freddie Mac through foreclosure or deed-in-lieu of foreclosure. (See Section 70.16(b) for remittance requirements for insurance loss settlements);
- The Servicer wishes to apply insurance proceeds to the Mortgage debt instead of repairing the property; or
- Insurance proceeds exceed the amounts required to restore the property to its original condition

Deposit of insurance proceeds

If repair or reconstruction of the residence is expected to take more than three months, insurance funds retained by the Servicer pending disbursement for such repair or reconstruction must be maintained in a federally insured account that pays interest to the Borrower.

Borrowers in a Home Affordable Modification Program (HAMP) or Standard Modification Trial Period Plan

For Borrowers with approved or active HAMP or Standard Modification Trial Period Plans who are having difficulty making payments and whose Mortgaged Premises or place of employment is located in an eligible Disaster Area , we are advising Servicers to provide forbearance as permitted in Chapters A65, *Reinstatements and Relief Options*, and 68. For those Borrowers who receive an approved forbearance plan, Servicers must report the forbearance via Electronic Default Reporting (EDR) in accordance with Chapters A65 and 68. If the forbearance default action code is reported through EDR in the same month as the reporting activity for HAMP or Standard Modification Trial Period Plan, then the Servicer must only report the forbearance default action code in accordance with Chapters A65 or 68 for that month, and must not report the HAMP or Standard Modification default action/reason.

After the forbearance period has ended, the Servicer must offer the Borrower a new HAMP or Standard Modification Trial Period Plan. Additional information will be provided in the coming weeks to offer operational instructions to Servicers for transitioning Borrowers from forbearance to the new Trial Period Plan. Upon completion of the forbearance, if the Borrower is unable to restart a Trial Period Plan, the Servicer must consider other alternatives to foreclosure for the Borrower.

In a future Bulletin, Freddie Mac will provide further guidance to Servicers about what to do operationally when a forbearance plan ends.

Approved alternatives to foreclosure

Servicers requiring additional processing time to close approved alternatives to foreclosure for Borrowers impacted by Hurricane Sandy must contact their loss mitigation specialist for approval.

REVISED REQUIREMENTS TO ASSIST BORROWERS WITH MORTGAGED PREMISES OR PLACES OF EMPLOYMENT AFFECTED BY DISASTERS

To provide greater assistance to Borrowers whose Mortgaged Premises or place of employment is located in an eligible Disaster Area, Freddie Mac is waiving its requirement that a repayment plan or short-term forbearance plan for up to 3 months must be in writing. Further, Servicers are reminded that such plans may be entered into based on a verbal conversation with the Borrower and no documentation is required to be submitted by the Borrower. Servicers should review each Borrower's situation to determine whether this is the correct relief option.

Section 68.5, *Collection and Foreclosure Activities*, will be updated in a later Bulletin to reflect this change.

Servicers are reminded that, pursuant to Section 68.5, they may enter a Borrower into a long-term forbearance plan without Freddie Mac approval for a period of four to 12 months, provided the plan is in writing and is completed in accordance with the requirements in Section A65.24, *Long-Term Forbearance Requirements*.

REMINDERS TO SERVICERS

Servicers are reminded that for properties located in an eligible Disaster Area, they must comply with the requirements set forth in Chapter 68 unless such requirements are revised by this Bulletin. The requirements in Chapter 68 include, but are not limited to:

- Short-term suspension of collection activities and foreclosure proceedings for up to 12 months from the date a disaster strikes to help accommodate financial hardship, based on the relative merits of each case
- Neither assessing late charges nor reporting to credit repositories that the Borrower is on a forbearance plan or is paying as agreed on in a repayment plan
- Providing help with options for local, State or federal disaster assistance
- Monitoring and coordinating the insurance claim process

Seller/Servicers are further reminded that if a Borrower resides in an area devastated by Hurricane Sandy and requests help with his or her Mortgage payments, but the destruction is not severe enough for the President of the United States to issue a Major Disaster Declaration with federal Individual Assistance, Servicers should provide Mortgage relief using our standard Mortgage relief options, as described in Chapters A65, B65, and C65.

REVISIONS TO THE GUIDE

Applicable Guide sections will be updated in a later Bulletin. Servicers should retain a copy of this Bulletin to ensure compliance with our requirements.

CONCLUSION

We appreciate the efforts of our Servicers in providing relief to Borrowers who have been affected by Hurricane Sandy. The information provided by our Servicers and others in the industry is key to our efforts to provide the most effective solutions for Borrowers affected by the hurricane.

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

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We make home possible®

Bulletin

NUMBER: 2012-27

TO: Freddie Mac Servicers November 15, 2012

SUBJECTS

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

- Announcing the Freddie Mac Standard Deed-in-Lieu of Foreclosure ("Standard Deed-in-Lieu of Foreclosure")
- Increasing the Servicer incentive for completing a deed-in-lieu of foreclosure
- Revising our requirements for foreclosure sale postponement

STANDARD DEED-IN-LIEU OF FORECLOSURE

Effective for new deed-in-lieu of foreclosure evaluations conducted on or after March 1, 2013

The Standard Deed-in-Lieu of Foreclosure is part of the Servicing Alignment Initiative (SAI) developed under the direction of the Federal Housing Finance Agency, and is designed to serve as a workout option for Borrowers for whom neither a home retention alternative to foreclosure nor a Freddie Mac Standard Short Sale ("short sale") is a workable solution. This Bulletin provides complete requirements for the Standard Deed-in-Lieu of Foreclosure.

The Standard Deed-in-Lieu of Foreclosure provides Servicers delegated authority to approve a deed-in-lieu of foreclosure (DIL) in accordance with the requirements of Guide Chapter B65, *Workout Options*. In addition, it revises the non-delegated DIL workout option in Chapter B65.

Servicers must continue to evaluate Borrowers in accordance with the evaluation hierarchy and offer the Borrower a home retention option or short sale, as appropriate, before offering a DIL. We have updated the evaluation hierarchy in Guide Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, to include the provision that Servicers must encourage a short sale prior to pursuing a DIL.

Sections B65.43, *Deed-in-Lieu of Foreclosure Eligibility Requirements and Servicer Approval Authority*, through B65.48, *Closing, Reporting and Remittance Requirements*, have been revised to incorporate the requirements related to the Standard Deed-in-Lieu of Foreclosure, including:

- Borrower, property and Mortgage eligibility
- Approval authority
- Borrower documentation
- Property condition requirements
- Borrower contribution requirements and eligibility requirements for Borrower relocation assistance
- Property inspections
- DIL communication time lines

- Sales transaction and processing requirements
- Closing the DIL and reporting it to Freddie Mac

Requirements related to eligibility, property inspections, Borrower relocation assistance, foreclosure suspension and DIL communication time lines are detailed further below.

In addition, we are providing:

- Revisions to Guide Exhibit 93, *Evaluation Model Clauses*, to include updates to the "Non-HAFA Deed-in-Lieu" evaluation model clause, which has been renamed the "Standard Deed-in-Lieu" evaluation model clause. Updates to the clause include the addition of a provision requiring the Borrower to sign a waiver of ownership of personal property remaining at or in the Mortgaged Premises after execution of the deed
- New Guide Exhibit 100, *Personal Property Release*, to provide Servicers with a template that they may use to meet the requirement that the Borrower waive ownership of personal property left at or in the Mortgaged Premises
- New expense code 500002 (Deed-in-Lieu Subordinate Lien Payment) for requesting reimbursement for payouts to subordinate lien holders. Exhibits 57, *1- to 4-Unit Property Approved Expense Amounts*, and 74, *Expense and Income Codes for Expense Reimbursement Claims*, have been updated to reflect the new expense code.
- Additional details on foreclosure suspension
- Revisions to Sections B65.35 through B65.41 to maintain consistency between Freddie Mac Standard Short Sale and Standard Deed-in-Lieu of Foreclosure requirements

Eligibility

Every Borrower, regardless of Delinquency status, is eligible to be considered for a DIL, provided the following requirements are met:

- The Servicer has complied with the evaluation hierarchy
- The Borrower must be experiencing or have experienced one of the eligible hardships listed in Section 65.17(a)
- The Borrower must be able to convey clear and marketable title to the Mortgaged Premises to Freddie Mac
- If the Mortgage is current or less than 31 days delinquent then the following additional requirements must be met:
  - At least one of the Borrowers must occupy the Mortgaged Premises as his or her Primary Residence and;
  - The Borrower's current monthly debt payment- to-income ratio must be greater than 55%

Unless otherwise notified by Freddie Mac, all Servicers are delegated to approve a DIL that meets the requirements of Sections B65.43 through B65.48 for the following eligible Borrowers:

- Borrowers who are 90 or more days delinquent
- Borrowers who are current or less than 90 days delinquent provided the Borrower's eligible hardship is one of the following:
  - Death of a Borrower or death of the primary or secondary wage earner
  - Long-term or permanent disability; serious illness of a Borrower/co-Borrower or dependent family member

Additionally, a Servicer is authorized to approve a DIL for a Borrower who was previously discharged from the debt obligations in a Chapter 7 bankruptcy.

Servicers are not delegated to approve a DIL for a Borrower who is current or less than 90 days delinquent if the Borrower's hardship is other than those listed above or if the Borrower was not discharged from debt obligations in a Chapter 7 bankruptcy. However, if the Servicer believes a DIL is still the most appropriate remedy, then the Servicer must submit a recommendation to Freddie Mac for approval**.**

Refer to Sections B65.43 through B65.48 for all DIL eligibility requirements.

Borrower relocation assistance

Borrowers who are eligible for a DIL and are not required to make a financial contribution toward the deficiency may be eligible to receive up to $3,000 in relocation assistance from Freddie Mac provided that the Borrower occupies the Mortgaged Premises as his or her primary residence. In addition, the Servicer may at its discretion use its own funds to offer the Borrower an additional financial incentive to complete the DIL. If the Borrower receives relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, the Servicer must reduce the amount of Freddie Mac's relocation assistance by the amount received from the other source. Further, if the final property inspection reveals that the property is damaged, contains trash or debris or is otherwise not in clean, broom-swept condition, the Servicer must deduct the estimated or, if known, the actual cost of repairing and cleaning the property from the relocation assistance amount.

Once the final amount of relocation assistance has been determined and the deed has been executed, the Servicer must disburse the relocation assistance to the Borrower within 30 days of receipt of the executed deed. Servicers may request reimbursement for the relocation assistance from Freddie Mac via the Freddie Mac Reimbursement System using expense code 013005 (Deed-in-Lieu Borrower Relocation Assistance). Exhibits 57 and 74 have been updated to reflect the new expense code.

Refer to new Section B65.44.1, *Borrower Contribution and Relocation Assistance*, for additional information.

Final property inspection and Borrower waiver of claim to personal property

We have revised Section B65.47, *Deed-in-Lieu Transaction and Processing Requirements*, to require Servicers to obtain an interior property inspection no more than 48 hours prior to final execution of the deed. This interior property inspection must be obtained to ensure that the property is vacant, undamaged, and left in broom-swept condition with no debris or personal property remaining. If the final property inspection reveals that the property is damaged, contains trash or debris or is otherwise not in clean, broom-swept condition, the Servicer must deduct the estimated or, if known, the actual cost of repairing and cleaning the property from the relocation assistance amount.

Freddie Mac will reimburse Servicers up to $20 for the actual cost of an interior property inspection completed for a DIL. Servicers may request reimbursement of this expense via the Reimbursement System using expense code 404008 (Deed-in-Lieu Property Inspection). Exhibits 57 and 74 have been updated to reflect this new expense code.

In addition, as part of the DIL settlement process, the Borrower will be required to sign a waiver of ownership of personal property remaining in and on the Mortgaged Premises after execution of the deed. This provision has been incorporated into the "Standard Deed-in-Lieu" model clause, found in Exhibit 93.

Foreclosure suspension and evaluation response

We have revised our foreclosure suspension requirements and execution time frame for DILs to provide that:

- Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the DIL process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings
- The Servicer may only suspend the foreclosure sale once the executed deed and all other required DIL documentation have been received

- The Servicer must ensure there is sufficient time to complete processing of the DIL (including sending the DIL offer to the Borrower) so that an executed deed can be received by the Servicer no later than 30 days prior to the foreclosure sale date

Sections 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, and 66.41, *Complete Borrower Response Packages Received After Foreclosure Has Been Initiated*, have been revised to reflect these changes.

DIL communication time lines

We have updated Section B65.46, *Borrower Communication Time Lines* to include the following requirements:

- No later than five calendar days after a decision, but in no event more than 30 calendar days after receipt of a complete Borrower Response Package, the Servicer must send an Evaluation Notice to the Borrower
- The Servicer must allow the Borrower 14 days from the date on the Evaluation Notice to accept the offer to pursue a DIL
- The Servicer must receive all necessary approvals (e.g., title, second lien(s) and MI) and obtain the executed DIL no later than 60 days after Borrower agreement to the DIL
- If the Servicer is unable to facilitate execution of the deed within 60 days of Borrower acceptance due to delays encountered as a result of title issues, secondary liens or other issues, the Servicer must continue working with the Borrower to resolve these issues for up to an additional 30 days, but then must provide weekly status updates to the Borrower. The maximum amount of time that may elapse from the time of the Borrower's acceptance of the deed-in-lieu of foreclosure and the execution of the deed is 90 days.

SERVICER INCENTIVE FOR DEEDS-IN-LIEU OF FORECLOSURE

Effective March 1, 2013

We have increased the Servicer incentive from $275 to $1,500 for DILs completed in accordance with Sections B65.43 through B65.48. Freddie Mac will pay the new incentive for each DIL completed as a result of a DIL evaluation conducted on or after March 1, 2013.

Section 65.42, *Compensation Program*, and Exhibit 96, *Servicing Incentives and Compensatory Fees*, have been updated to reflect this change.

FORECLOSURE SALE POSTPONEMENT

Effective immediately

We have revised our foreclosure sale postponement requirements to eliminate the requirement for Servicers to obtain written approval from Freddie Mac to postpone a foreclosure sale for Mortgages that are more than 12 months delinquent. Servicers now have delegated authority to postpone any foreclosure sale if they have determined that doing so will protect Freddie Mac's interests.

Sections 64.12, *Hardest Hit Fund*, 66.32.1, *Foreclosure Sale Postponements*, 66.41, and Exhibit 57A, *Approved Attorney Fees and Title Expenses*, have been updated to reflect this change.

TRAINING

To help Servicers further understand the new Standard Deed-in-Lieu of Foreclosure workout option, we strongly encourage enrollment in our new webinar, *Bulletin 2012-27: Freddie Mac Standard Deed in Lieu of Foreclosure*, at **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=SAI_FMSDLF**.

Servicers should visit the Learning Center web page at: **http://www.freddiemac.com/learn/service/** for additional Servicing training information and training resources.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 64, 65, B65, 66 and 71
- Exhibits 57, 57A, 74, 77, 93, 96 and 100
- Directory

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

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We make home possible®

Bulletin

NUMBER: 2012-28

TO: Freddie Mac Sellers December 14, 2012

SUBJECTS

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

- Revising eligibility requirements for our Relief Refinance Mortgages℠ – Same Servicer and Relief Refinance Mortgages – Open Access offerings, as announced in our Single-Family Update e-mail on November 19, 2012
- Permitting Sellers to obtain a verbal verification of employment (VOE) or a verification of the existence of the business, as applicable, after the Note Date, provided it is obtained prior to the Delivery Date
- Revising our secondary financing documentation requirements
- Updating the Guide to reflect the 2013 conforming loan limits, which will remain at their current levels, as announced in our Single-Family Update e-mail on November 29, 2012
- Updating the Guide to reflect the property valuation requirements announced in Bulletin 2012-24 for Relief Refinance Mortgages secured by properties affected by disasters
- Clarifying our Condominium Project review and eligibility requirements
- Revising Guide Exhibit 1, *Instructions for Completing the Borrower First Time Homebuyer Indicator*

EFFECTIVE DATE

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

CLARIFICATION OF EXPIRATION DATE AND NEW DELIVERY DEADLINE FOR RELIEF REFINANCE MORTGAGES

In Bulletin 2011-22, we extended the expiration of the Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access offerings to Mortgages with Note Dates on or before December 31, 2013.

We are revising the eligibility requirements for Relief Refinance Mortgages to base the expiration date of the offering on the Application Received Date instead of the Note Date. This includes Mortgages originated under the Home Affordable Refinance Program (HARP). As a result of this change, Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access must have Application Received Dates on or before December 31, 2013.

Additionally, we are requiring that all Relief Refinance Mortgages have Settlement Dates on or before September 30, 2014.

Guide Sections A24.1, B24.1 and C24.1, all titled *Overview*, have been updated to reflect these changes.

OBTAINING VERBAL VOEs AND VERIFICATIONS OF THE EXISTENCE OF BUSINESS

Currently, if a Seller uses income from employment to qualify a Borrower, the Seller must obtain a verbal verification of employment (VOE) no more than 10 Business Days prior to the Note Date. For self-employed Borrowers, the Seller must obtain a verification of existence of the business from a third-party source no more than 30 calendar days prior to the Note Date. With this Bulletin, we are providing an additional option by permitting the Seller to obtain a verbal VOE or a verification of existence of the business, as applicable, after the Note Date, provided they are obtained prior to the Delivery Date.

Sellers are reminded that in accordance with Section 6.11, *Warranties and Representations by the Seller*, the Seller represents and warrants that the requirements stated in the Purchase Documents have been fully satisfied as of the Delivery Date. If the Seller is unable to verify the Borrower's employment or the existence of the business, as applicable, before the Delivery Date, the Mortgage is not eligible for sale to Freddie Mac.

Guide Chapters A24, *Freddie Mac Relief Refinance Mortgages℠ – Same Servicer*, B24, *Freddie Mac Relief Refinance Mortgages℠ – Open Access*, C24, *Freddie Mac Relief Refinance Mortgages – Same Servicer with LTV Ratios Less than or Equal to 80%*, and 37, *Underwriting the Borrower*, have been updated to reflect these changes.

Loan Prospector® feedback messages will be updated at a later date to support this change to verifications of employment and self-employment. Sellers will be notified when the changes are implemented.

SECONDARY FINANCING DOCUMENTATION

We are updating our requirements to permit additional options for the Seller when documenting the terms of secondary financing, the fees and costs paid in connection with secondary financing and the evidence of subordination of secondary financing to the First Lien. In addition, we are clarifying that the requirements relating to secondary financing apply to all financing that is subordinate in lien priority to the First Lien Mortgage. Sellers should review Sections 24.5, *Requirements for "No Cash-Out" Refinance Mortgages*, 24.7, *Requirements for Special Purpose Cash-Out Refinance Mortgages*, 25.1, *Purchase Mortgages with Secondary Financing*, 25.2, *Refinance Mortgages with Secondary Financing*, and 46.25, re-titled *Secondary Financing*, for complete revised requirements.

2013 LOAN LIMITS

In our Single-Family Update e-mail on November 29, 2012, we announced that our base conforming loan limits and the loan limits for designated high-cost areas will remain at the current levels for 2013.

We have updated Section 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, to reflect the 2013 base conforming loan limits and Section L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*, to reflect the high-cost area loan limits for super conforming Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2013 and on or before December 31, 2013.

RELIEF REFINANCE MORTGAGES SECURED BY PROPERTIES AFFECTED BY DISASTERS

In Bulletin 2012-24, we informed Sellers that, notwithstanding the recommended steps listed in Section 44.2(c), a Seller is not required to determine if an additional property inspection or a new appraisal is necessary for Relief Refinance Mortgages secured by properties in areas affected by hurricanes or other natural disasters, provided that the Mortgage meets the requirements of Chapter 58**,** *Property Insurance*.

We have updated Sections A24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Same Servicer*, B24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Open Access*, and C24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Same Servicer with LTV Ratios Less than or Equal to 80%*, to reflect these changes.

CONDOMINIUM PROJECT REVIEW AND ELIGIBILITY

In Bulletin 2012-14, we simplified and reorganized our Condominium Project review and eligibility requirements. In streamlining our requirements, we converted certain warranties for Condominium Projects into specific project eligibility requirements for each project review type. We also simplified our project eligibility criteria.

With this Bulletin, we are making minor revisions to Chapter 42, *Special Requirements for Condominiums*, to provide additional clarity about the self-contained nature of our Condominium Project review and eligibility requirements.

REVISED EXHIBIT 1

In Bulletin 2012-19, we deleted Exhibit 1, *Instructions for Completing the First Time Homebuyer Indicator Field*, because it related to outdated MIDANET® delivery requirements.

With this Bulletin, we are providing updated Exhibit 1, re-titled *Instructions for Completing the Borrower First Time Homebuyer Indicator*, reflecting instructions for First-Time Homebuyer Uniform Loan Delivery Dataset (ULDD) delivery requirements.

REMINDER ABOUT DOCUMENTATION RELATING TO WAREHOUSE LENDERS

Sellers that deliver Pledged Mortgages (Mortgages to which the Seller has granted a continuing lien and security interest in, or conveyed an ownership or other interest to, a Warehouse Lender) are reminded that Freddie Mac may refuse to fund or delay funding if a Warehouse Lender has not submitted acceptable documentation to Freddie Mac as required in Chapter 19, *Warehouse Financing Arrangements*.

If (i) the person executing Form 996E, *Warehouse Provider Release and Transfer*, is not designated as an "Authorized Person," (ii) Freddie Mac does not receive Form 990SF, *Warehouse Provider Certificate of Incumbency*, in sufficient time to process it and/or (iii) Freddie Mac believes that the Form 990SF cannot be relied upon for any reason, Freddie Mac may cancel the transaction or postpone the Funding or Settlement Date until such time as acceptable documentation is received and processed. Refer to Sections 19.4, *Wire Transfer Instructions for Cash*, and 19.5, *PC Delivery Instructions*, for complete requirements.

REMINDER ON RELIEF REFINANCE MORTGAGE – SAME SERVICER REQUIREMENTS

As a reminder, for the requirements for Relief Refinance Mortgages – Same Servicer with Application Received Dates **prior to** November 19, 2012, Sellers must refer to:

- Chapter A24 for Relief Refinance Mortgages – Same Servicer with loan-to-value (LTV) ratios greater than 80%
- Chapter C24 for Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80%

For the requirements for Relief Refinance Mortgages – Same Servicer with Application Received Dates **on or after** November 19, 2012, regardless of the LTV ratio, Sellers must refer to Chapter A24.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 9, 23, 24, A24, B24, C24, 25, L33, 37, 42 and 46
- Exhibit 1

CONCLUSION

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

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2012-29

TO: Freddie Mac Servicers December 18, 2012

SUBJECT: SPECIAL SERVICING REQUIREMENTS RELATED TO HURRICANE SANDY

To ensure that Borrowers receive the Mortgage assistance they need to overcome the devastating effects of Hurricane Sandy, with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are:

- Temporarily revising our property inspection requirements for properties located in eligible Disaster Areas as a result of Hurricane Sandy and providing additional reimbursement for the costs associated with those property inspections
- Providing instructions to Servicers regarding forbearance plans granted to Borrowers who are or were in approved or active Trial Period Plans and whose Mortgaged Premises or places of employment are located in an eligible Disaster Area as a result of Hurricane Sandy

For the purpose of this Bulletin, "an eligible Disaster Area" is an area comprised of counties or municipalities that have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available. These areas are published by the Federal Emergency Management Agency (FEMA) on its web site at **http://www.fema.gov/disasters**. Servicers must continue to monitor the FEMA web site because new eligible Disaster Areas may continue to be identified as damage assessments and processing of requests for federal assistance are completed.

EFFECTIVE DATE

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

PROPERTY INSPECTIONS FOR PROPERTIES LOCATED IN AN ELIGIBLE DISASTER AREA AS A RESULT OF HURRICANE SANDY

Currently, Freddie Mac requires that Servicers perform monthly property inspections in accordance with Guide Section 65.33, *When to Order a Property Inspection*. Freddie Mac also requires that Servicers determine the extent of damage to or losses suffered by properties securing the Mortgages, as set forth in Section 68.4, *Property Protection Activities*.

With this Bulletin, Freddie Mac is temporarily revising its requirements related to the type of property inspections that must be completed for properties located in eligible Disaster Areas as a result of Hurricane Sandy and providing additional reimbursement for costs associated with certain property inspections.

Servicers must perform one interior disaster-related property inspection for delinquent Mortgages secured by Mortgaged Premises that: (i) are located in eligible Disaster Areas, and (ii) were identified as abandoned as of, or prior to the date of the area being declared an eligible Disaster Area. This interior property inspection will be a substitute for the next regularly scheduled monthly exterior property inspection required in Section 65.33. Freddie Mac will reimburse the Servicer up to $20 per property for the additional costs associated with completing these interior inspections.

For Mortgages secured by properties located in eligible Disaster Areas, which were reported as current in the most recent reporting cycle just prior to the area being declared an eligible Disaster Area, Freddie Mac will reimburse the Servicer up to $10 per property for one exterior property inspection related to the disaster.

While Freddie Mac is requiring Servicers to complete disaster-related property inspections as described in this Bulletin, the method for reimbursing Servicers has not yet been finalized. In a future Bulletin, Freddie Mac plans to provide further guidance on the process in which Servicers will receive reimbursement for these additional expenses.

FORBEARANCE PLANS FOR BORROWERS IN TRIAL PERIOD PLANS

In Bulletin 2012-26, we indicated that we would provide further guidance regarding how to evaluate a Borrower, whose Mortgaged Premises or place of employment is located in an eligible Disaster Area, for a new Trial Period Plan once the forbearance plan ends. This Bulletin provides guidance on how to handle the different scenarios Servicers may encounter to restart a previous Trial Period Plan for Borrowers whose Mortgaged Premises or places of employment are located in an eligible Disaster Area as a result of Hurricane Sandy.

If a Borrower was previously performing in accordance with the terms of a Trial Period Plan prior to the federally declared disaster, within 30 days prior to the end of the forbearance plan, the Servicer must determine whether the Borrower's financial circumstances continue to be adversely impacted by the disaster based on verbal confirmation with the Borrower about his or her current financial condition and the most recent property inspection. The Servicer must then apply the following Trial Period Plan eligibility rules:

- If the Borrower's financial circumstances have not adversely changed (e.g., the Borrower's income is not less than it was at the time of the pre-forbearance Trial Period Plan evaluation), then:
  - For Home Affordable Modification Program (HAMP) Trial Period Plans, the Servicer must offer the Borrower a new Trial Period Plan which includes the same Trial Period payment as the pre-forbearance Trial Period Plan. The Servicer must not conduct a new net present value (NPV) or Forbearance Limit analysis. For reporting purposes, the Servicer should utilize the NPV determined for the pre-forbearance (or pre-disaster) Trial Period Plan analysis and may report anticipated forbearance amounts in excess of the Forbearance Limit, but only to the extent necessary to achieve the Target Payment. All other HAMP eligibility rules continue to apply.
  - For Non-HAMP (i.e., Standard Modification) Trial Period Plans, the Servicer must offer a new Trial Period Plan with a Trial Period payment based on the projected modified unpaid principal balance (i.e., after capitalization). Servicers must waive the housing expense-to-income ratio eligibility requirement set forth in Section B65.18(b). However, if the proposed modified principal and interest payment will be higher than the Borrower's pre-modified principal and interest payment, the Servicer must transmit this exception request via Workout Prospector® to Freddie Mac. All other eligibility rules continue to apply.

  Seasoning requirements for documentation do not apply to Borrowers whose financial circumstances have not adversely changed.

  Additionally, the Servicer must not cancel the previous Trial Period Plan in Workout Prospector but must instead keep the Borrower's previous Trial Period Plan in approved status in order to avoid re-underwriting the Borrower. When preparing the final modification agreement, the Servicer must calculate the modification terms using updated delinquent interest and non-interest arrearage amounts that must be capitalized (i.e., up through the day prior to the modified interest rate change date), as applicable, and offer a permanent modification to each Borrower who successfully completes the new Trial Period Plan. When preparing a HAMP modification agreement, the Servicer may forbear principal beyond the Forbearance Limit, but only to the extent necessary to achieve the Target Payment.

- If the Borrower's financial circumstances have adversely changed (e.g., the Borrower's income is less than it was at the time of the pre-forbearance Trial Period Plan evaluation), then the Servicer must re-evaluate the Borrower for a Standard Modification or HAMP Trial Period Plan using an updated Borrower Response Package in accordance with the Standard Modification or HAMP eligibility requirements set forth in Chapters B65, *Workout Options*, and C65, *Home Affordable Modification Program*, respectively, including, without limitation, housing expense-to-income ratio, Forbearance Limit and NPV requirements, as applicable. If the Borrower is unable to provide updated documentation, but has provided verbal information that confirms continued eligibility for a modification, the Servicer must transmit the Mortgage to Freddie Mac to review via Workout Prospector.

  If the Servicer determines that a Borrower whose financial circumstances have been adversely impacted is no longer eligible for either a HAMP or Standard Modification Trial Period Plan, or the Borrower was not performing in accordance with the terms of the Trial Period Plan prior to the disaster, then the Servicer must consider the Borrower for other alternatives to foreclosure. Servicers are reminded that exceptions can be submitted to Freddie Mac via Workout Prospector for Borrowers who are ineligible for a Standard Modification where the Servicer believes a modification is still appropriate based on the Borrower's individual circumstances.

Regardless of the Borrower's financial circumstances, the Borrower must complete a new three-month Trial Period Plan that begins immediately following the forbearance plan in order to be eligible for a permanent modification. Servicers may rely on the Guide provisions governing the extension of Trial Period Plans in the event of bankruptcy and use of an interim month prior to the month in which the first modified payment is due.

Electronic Default Reporting (EDR) requirements when entering the Borrower into a disaster-related forbearance plan

In Bulletin 2012-26, we advised Servicers to provide forbearance in accordance with Chapters A65, *Reinstatements and Relief Options*, and 68, *Servicing Mortgages Impacted by a Disaster*, for Borrowers with approved or active HAMP or Standard Modification Trial Period Plans who are having difficulty making payments and whose Mortgaged Premises or places of employment are located in eligible Disaster Areas. For those Borrowers who receive an approved forbearance plan, Servicers must report the forbearance via EDR in accordance with Chapters A65 and 68. If the forbearance default action code is reported through EDR in the same month as the reporting activity for a HAMP or Standard Modification Trial Period Plan, then the Servicer must only report the forbearance default action code in accordance with Chapters A65 or 68 for that month, and must not report the HAMP or Standard Modification default action/reason.

With this Bulletin, Freddie Mac is clarifying that prior to reporting the approved forbearance plan, the Servicer must first close out either the HAMP or Standard Modification through EDR by reporting the Mortgage as ineligible for a modification by using the "HE" code. This EDR code will close out the reporting of the modification and allow for the reporting of the forbearance plan.

REVISIONS TO THE GUIDE

The Guide will not be updated to include these temporary requirements. Servicers should refer to this Bulletin to ensure compliance with these requirements.

CONCLUSION

We appreciate the efforts of our Servicers in providing relief to Borrowers who have been affected by Hurricane Sandy and other disasters. The information provided by our Servicers and others in the industry is key to our efforts to provide the most effective solutions for Borrowers affected by disasters.

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 Hagen Mooney
Senior Vice President
Single-Family Servicing and REO