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# Bulletin

**NUMBER: 2013-1**

**TO**: Freddie Mac Servicers January 31, 2013

## SUBJECT: FORECLOSURE SALE AND EVICTION CLOSEOUT MORATORIUM EXTENSION RELATED TO HURRICANE SANDY

Since Hurricane Sandy struck the Northeast, Freddie Mac has been continuously providing relief and support to Borrowers and communities across the affected region. Freddie Mac staff are working on-site with hundreds of families at local Borrower outreach events and training housing counselors on Freddie Mac's disaster relief options for Borrowers. Freddie Mac has joined forces with local non-profit organizations and federal, State and local government task forces and commissions to expedite mortgage assistance and provide resources, including the short-term use of suitable Real Estate Owned (REO) homes as rental housing.

We appreciate the understanding and consideration that Freddie Mac Servicers have extended to Borrowers coping with Hurricane Sandy-related hardships. In order to help ensure Borrowers continue to receive the assistance they need during this difficult time, with this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are extending our existing foreclosure sale and eviction closeout moratoriums for Borrowers.

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 as a result of Hurricane Sandy. 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.

## EXTENSION OF TEMPORARY REQUIREMENTS TO ASSIST BORROWERS IMPACTED BY HURRICANE SANDY

We are extending our existing foreclosure sale and eviction closeout moratoriums for Borrowers through **April 30, 2013**, subject to the requirements set forth below.

### Suspension of foreclosures

For Borrowers whose place of employment or Mortgaged Premises is located in an eligible Disaster Area as a result of Hurricane Sandy, Freddie Mac is requiring Servicers to suspend all foreclosure sales through **April 30, 2013**. 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 through **April 30, 2013** for Borrowers with Mortgaged 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.

## REMINDERS TO SERVICERS

Servicers are reminded that for properties located in an eligible Disaster Area, they must comply with the requirements set forth in Guide Chapter 68, *Servicing Mortgages Impacted by a Disaster*, 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, which are applicable to a wide variety of hardships, as described in Chapters A65, *Reinstatements and Relief Options*, B65, *Workout Options*, and C65, *Home Affordable Modification Program*.

Refer to Bulletins 2012-26 and 2012-29 for other temporary Servicing requirements related to Hurricane Sandy.

## 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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# Bulletin

**NUMBER: 2013-2**

**TO**: Freddie Mac Sellers January 31, 2013

## SUBJECTS

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

- Revising the Delivery Date requirement for Freddie Mac Relief Refinance Mortgages℠ – Same Servicer and Relief Refinance Mortgages – Open Access
- Providing guidance with respect to lender contributions for Relief Refinance Mortgages
- Reminding Sellers that we have published the Phase II Uniform Loan Delivery Dataset (ULDD) specification and announcing the transition period for the Phase II ULDD specification requirements
- Removing references in the Guide to one-year ARMs purchased under Weighted Average Coupon (WAC) ARM Cash

## RELIEF REFINANCE MORTGAGES

### Delivery Date requirement

**Effective immediately**, we are removing the requirement that Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access must be delivered to Freddie Mac no more than 120 days after the Note Date.

As required for all Mortgages delivered to Freddie Mac, Relief Refinance Mortgages must have Settlement Dates no more than 12 months after the Note Dates. Also, Sellers are not required to obtain a new appraisal if the Settlement Date of the Relief Refinance Mortgage is more than 120 days after the Note Date.

Sellers are reminded that all Relief Refinance Mortgages must have Settlement Dates on or before September 30, 2014.

### Lender contributions

**Effective for Mortgages with Application Received Dates on or after April 30, 2013**, we are providing the following guidance for the use of lender contributions on Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access:

- A lender may provide the Borrower with a cash or a cash-like contribution that is not reflected on the HUD-1 form or an equivalent settlement statement, provided it does not exceed $500 and repayment is not required. The contribution is not considered cash out to the Borrower and does not have to be included in the calculation of Mortgage proceeds.
- A lender may provide a contribution towards the payoff of the Mortgage being refinanced, provided it does not to exceed $2,000 and repayment is not required. This contribution must be reflected on the HUD-1 form or an equivalent settlement statement. The contribution is not considered cash out to the Borrower, provided it does not result in cash disbursed to the Borrower exceeding $250.

As required under the Guide for all Mortgages sold to Freddie Mac, the Seller must comply with the requirements of all applicable laws in structuring and providing these contributions.

These requirements are effective for Mortgages with Application Received Dates on or after April 30, 2013, but Sellers are encouraged to implement them as soon as possible.

Sellers should review Guide Chapters A24, *Freddie Mac Relief Refinance Mortgages℠ – Same Servicer*, B24, *Freddie Mac Relief Refinance Mortgages℠ – Open Access*, and C24, *Freddie Mac Relief Refinance Mortgages℠ – Same Servicer with LTV Ratios Less than or Equal to 80%*, to ensure they have an understanding of the revised Delivery Date and lender contribution requirements summarized above.

## PHASE II ULDD SPECIFICATION

### Publication of the Phase II ULDD specification

We are reminding Sellers that, as announced in our Single-Family Update e-mail on December 13, 2012, we have published the Phase II specification for the ULDD. The ULDD is a component of the Uniform Mortgage Data Program® (UMDP®), an ongoing effort by Freddie Mac and Fannie Mae (the "Government Sponsored Enterprises" (GSEs)) undertaken at the direction of the Federal Housing Finance Agency (FHFA). The Phase II ULDD specification defines and documents the common approach of the GSEs for inclusion of the Phase II ULDD data in the loan delivery file. The December 13, 2012 Phase II ULDD announcement can be found under the "Announcements" tab in the ULDD area of our web site at **http://www.freddiemac.com/sell/secmktg/uniform_delivery.html**.

While Freddie Mac and Fannie Mae jointly developed the Phase II ULDD specification, each GSE will continue to exercise independent business judgment in evaluating, adopting and maintaining business terms, credit policies and analytics.

As previously announced on December 13, 2012, Sellers must meet the following Phase II ULDD requirements:

- **March 1, 2014** – Sellers must begin collecting the Phase II ULDD data points for all Mortgages with Application Received Dates on or after March 1, 2014
- **August 25, 2014** – Sellers must begin delivering the Phase II ULDD data points for all Mortgages with Application Received Dates on or after March 1, 2014

### Transition period

To help Sellers meet the Phase II ULDD requirements, both GSEs will support a transition period beginning on **May 17, 2014** (when the Freddie Mac Selling System ("Selling System") will be updated with the Phase II ULDD fields and layout) and ending on **August 25, 2014**.

During the transition period:

- Sellers that manually enter or modify loan data in the Selling System are encouraged to begin entering the Phase II ULDD data; however, they are not required to do so until August 25, 2014. If Sellers do deliver the data prior to August 25, 2014, the data must conform with all Phase II ULDD data requirements.
- Sellers that import data into the Selling System are encouraged to begin including the Phase II ULDD data requirements in the MISMO® XML loan delivery file; however, they are not required to do so until August 25, 2014. If Sellers do deliver the data prior to August 25, 2014, the data must conform with all Phase II ULDD data requirements.

Guide Section 17.3, *Organization of Delivery Instructions for ULDD Data Points*, has been updated to reflect the dates announced for meeting the Phase II ULDD requirements. Prior to May 17, 2014, we will update the Guide to reflect the requirements for delivering loan data in accordance with the Phase II ULDD specification.

Sellers are encouraged to analyze the Phase II ULDD specification early in order to identify process and system changes needed to accurately capture and deliver the data required for Mortgage purchase. It is important for Sellers to plan for both their technical and process implementations early, and to analyze their process changes well in advance of finalizing their technical implementations.

### Additional information and resources

Visit the ULDD area on our web site at **http://www.freddiemac.com/sell/secmktg/uniform_delivery.html** for more information about and updates to the Phase II ULDD specification and for the following resources:

- *Appendix A – Freddie Mac XML Data Requirements V.3.0*: Incorporates the Phase II changes, effective for Mortgages delivered to Freddie Mac on or after **August 25, 2014** with Application Received Dates on or after **March 1, 2014**
- *Appendix D –Freddie Mac XML Data Requirements Reference Tool V.3.0*: An Excel version of Appendix A that may be used to easily sort and organize the data points
- *Appendix E – MISMO V.3.0: Reference Model with GSE Extensions*: Specifies the use of two extension containers for two data points not supported in V.3.0 of the MISMO Reference Model. These two data points are not required for delivery to Freddie Mac.

## ONE-YEAR ARMs PURCHASED UNDER WAC ARM CASH

As communicated in our November 19, 2012 Single-Family News Center article, effective on **December 1, 2012**, we have suspended the purchase of one-year ARMs purchased under WAC ARM Cash. With this Bulletin, we are removing references to one-year ARMs purchased under WAC ARM Cash from the Guide.

Chapter 30, *Special Eligibility Requirements for ARMs*, and Guide Exhibit 17S, *Available Mortgage Products*, have been updated to reflect this change.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 17, A24, B24, C24 and 30
- Exhibit 17S
- Forms 988SF and 989SF

## 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: 2013-3**

**TO**: Freddie Mac Servicers February 15, 2013

## SUBJECTS

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

- Providing Servicers with additional information about their loss mitigation obligations with regard to various transfers of property, including those that may arise upon the death of a Borrower
- Revising our State foreclosure time lines and related compensatory fees
- Updating our requirements regarding preservation of Freddie Mac's right to pursue a deficiency
- Updating the Guide to reflect the Servicer Attorney Tracking System (SATS) as announced in a January 30, 2013 Single-Family Update e-mail. The SATS is an online process to complete and submit the information required in Guide Exhibit 99, *Servicer Selection Form*, to Freddie Mac for each law firm selected to handle Freddie Mac Default Legal Matters.
- Revising requirements for Servicers participating in State Housing Finance Agency (HFA) modification assistance programs offering Hardest Hit Fund (HHF) assistance
- Revising Guide Form 710, *Uniform Borrower Assistance Form*, and our medical hardship documentation requirements
- Revising our requirements related to the verification of alimony, child support and separate maintenance income
- Reminding Servicers that they are required to reactivate an inactive loan prior to reporting and remitting a full contractual payment and providing guidance on the activities a Servicer must undertake after determining a Borrower has not successfully completed a Trial Period Plan
- Expanding the Freddie Mac Service Loans application ("Service Loans application") process to enable Servicers to obtain a property value and minimum net proceeds for Borrowers being considered for a Freddie Mac Standard Short Sale ("Standard Short Sale") who are current or less than 31 days delinquent
- Updating the Guide to reflect that the Home Affordable Foreclosure Alternatives (HAFA) initiative is no longer an option in the loss mitigation evaluation hierarchy
- Updating the Guide to reflect our revised requirements for reduced, suspended or denied mortgage insurance claims as announced in Bulletin 2012-20
- Updating Directories 3 and 5 with new contact information

## EFFECTIVE DATE

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

## MORTGAGE ASSUMPTIONS AND MODIFICATIONS FOR NON-BORROWERS

Freddie Mac recognizes that the death of a Borrower could result in the unnecessary displacement of a person with a legal or beneficial interest in the Mortgaged Premises, such as a surviving spouse, unless the Servicer undertakes prompt loss mitigation activities. We understand the severe impact these situations have on family members and heirs to the Mortgaged Premises. In addition, there are other transfers of property where Servicers are required to accelerate the Note. As a result, with this Bulletin, we are reminding Servicers of their obligations with regard to various transfers of property that may arise and are updating the Guide to reflect these requirements. This guidance also applies in situations where the only remaining Borrower is a trust.

Upon receiving notice that all Borrowers on a delinquent Note are deceased or upon receiving notice of a transfer requiring acceleration of the Note, the Servicer must comply with all requirements of the Guide and, as appropriate, conduct loss mitigation activities, including efforts to obtain right party contact. Servicers must provide loan information to transferees that the Servicer has confirmed have a legal or beneficial interest in the Mortgage as necessary to allow the transferee to continue making Mortgage payments or to process a request by the transferee to assume the Mortgage, if applicable.

The Servicer must comply with applicable law and the Guide regarding the disclosure of the Borrower's non-public personal information and any restrictions on exercising the acceleration of the Note under a due–on-transfer clause, as appropriate. The Servicer must submit to Freddie Mac via Workout Prospector® any case where the Servicer is unsure as to whether a purported transferee has a legal or beneficial interest in the property, but that person is willing to assume the Mortgage obligation.

In situations where the Mortgage is current, the Servicer must follow the requirements of Guide Chapter 60, *Transfers of Ownership (Assumptions)*. Chapter 60 addresses permissible transfers with or without an assumption of liability and also, with or without a release of the transferor from liability. If an assumption is pursued under Chapter 60, the Servicer is reminded to make any disclosures required by applicable law and take action necessary to continue any required insurance coverage, including mortgage insurance, where applicable.

If an assumption pursuant to Chapter 60 is not an option and the due-on-transfer clause has been triggered or the Mortgage is delinquent, Servicers must explore all available relief options as described in Chapter A65*, Reinstatement and Relief Options*, including forbearance, as appropriate. If the Servicer determines that a relief option is unlikely to lead to a resolution of the default or Delinquency, in many instances there may be an individual who wishes to continue making Mortgage payments and assume the Mortgage obligation ("non-Borrower applicant"). If the non-Borrower applicant meets the workout Mortgage assumption requirements set forth in Guide Sections B65.27 through B65.34, the Servicer must submit a recommendation to Freddie Mac for approval to proceed with a workout Mortgage assumption via Workout Prospector.

There may be cases where the non-Borrower applicant is not eligible to assume the Mortgage under the requirements of Chapter 60 or Freddie Mac's workout Mortgage assumption requirements in Chapter B65. However, the non-Borrower applicant may be able to assume the Mortgage if the assumption is accompanied by a loan modification to capitalize arrearages and/or achieve an affordable monthly payment. In these situations, the non-Borrower applicant must provide the Servicer with a complete Borrower Response Package and the Servicer must evaluate the non-Borrower applicant as if the non-Borrower applicant were a Borrower. If, based on this evaluation, the Servicer determines that an assumption and modification is appropriate, the Servicer must submit a recommendation via Workout Prospector for Freddie Mac's review and decision on whether to permit a simultaneous Mortgage assumption and modification. Sections B65.12, *When to Consider a Freddie Mac Standard Modification*, and B65.28, *When to Consider a Workout Mortgage Assumption,* have been updated to provide this guidance.

## STATE FORECLOSURE TIME LINES AND RELATED COMPENSATORY FEES

### State foreclosure time lines

**Effective for all foreclosure sales completed on or after April 1, 2013**, we have revised our State foreclosure time lines in Exhibit 83, *Freddie Mac State Foreclosure Time Lines*.

### State foreclosure time line compensatory fees calculation

**Effective for all foreclosure sales completed on or after July 1, 2013,** foreclosure sales that result in a third-party sale will now be included in the State foreclosure time line compensatory fee calculation. The date the Mortgage was referred to foreclosure will not have an impact on the effective date of this requirement.

### Reimbursement of property inspections

Freddie Mac currently limits the reimbursable amount of property inspections to the total number of monthly inspections that can be completed within the State standard foreclosure time lines set forth in Exhibit 83. With this Bulletin we are notifying Servicers that property inspection claims will be reimbursed using the version of Exhibit 83 dated January 01, 2012. At a later date, Freddie Mac will be announcing a revised structure for requesting reimbursement for property inspections.

## PRESERVING DEFICIENCY RIGHTS

**Effective for Mortgages that become delinquent as of June 1, 2013**

Due to rapidly changing State laws, we will no longer provide a list of States in which our Servicers are required to preserve our right to pursue a deficiency. Instead, in all instances where additional attorney fees/costs will not be incurred above the approved expense limits set forth in Exhibit 57A, *Approved Attorney Fees and Title Expenses*, Servicers must preserve Freddie Mac's right to pursue a deficiency to be brought on a case-by-case basis, as directed by Freddie Mac, after the foreclosure sale.

If a Servicer feels that it is in Freddie Mac's best interest to preserve its right to pursue a deficiency, but doing so would result in additional time line delays, fees, or costs, then the Servicer must submit a recommendation in accordance with the guidance provided in Section 66.48, newly titled *Circumstances Where Preserving Deficiency Rights Requires Additional Expense*, to Freddie Mac for review. Sections 66.18.1, *Choosing a Judicial or NonJudicial Foreclosure Process*, 66.47, *When to Preserve Deficiency Rights*, 66.48, *Circumstances Where Preserving Deficiency Rights Requires Additional Time or Expense,* 66.49, *Abandonment*, and 66.50, *Special Circumstances Requiring Freddie Mac's Approval*, have been updated to reflect this change.

## SERVICER ATTORNEY TRACKING SYSTEM (SATS)

In Bulletin 2012-25, we announced that **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 in accordance with the requirements of Chapter 69, *Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters*. Servicers must determine that each law firm selected meets the "Firm Minimum Requirements" in Section 69.3, *Firm Minimum Requirements*, and then complete and submit the information required in Exhibit 99 to Freddie Mac for review.

In our Single-Family Update e-mail on January 30, 2013, we announced that Servicers must use the new Servicer Attorney Tracking System (SATS), an online process, to complete and submit Servicer Selection Forms to Freddie Mac for each law firm selected to handle Freddie Mac Default Legal Matters. With this Bulletin, we have updated Sections 69.3, 69.4, *Selection of Firm*, and 69.5, *Retention of Firm*, and Directory 1 to reflect this change. Additionally, Exhibit 99 has also been updated and is for illustrative purposes only.

### Additional information and resources

The SATS web site, **https://freddiemacsats.com**, will become available to Servicers on **March 1, 2013.**

To establish access to SATS, Servicers must first register to create a user ID and password at **https://freddiemacsats.com**. After completing the registration process, authorized users will be able to complete and submit Servicer Selection Forms to Freddie Mac. SATS will also allow Servicers to respond to Freddie Mac's requests for additional information, as necessary, and will allow Servicers to track each submission's status during the review process.

**All Servicer Selection Forms must be submitted via SATS on or after March 1, 2013. Exhibit 99 will only be maintained on FreddieMac.com for illustrative purposes.**

**Freddie Mac will not review any Exhibit 99 completed and submitted to any Freddie Mac e-mail address.**

Web-based training for SATS will be available to all registered users at the SATS web site starting March 1, 2013. The SATS' system support resources are available to assist users with password resets, system use, and other SATS related matters at the following:

- Help Desk phone number: (949) 525-9000, extension 2
- E-mail address: **sats.support@quandis.com**

For questions related to the Servicer Selection Form, contact **Legal_SSF_Support@freddiemac.com.**

## HARDEST HIT FUND MODIFICATION ASSISTANCE UPDATES

Bulletin 2012-17 provided requirements for Servicer participation in HFA modification assistance programs that offer HHF funds to be applied to curtail principal. In that Bulletin, Freddie Mac required that the approved modification include partial principal forbearance in order to participate in modification assistance programs that include principal curtailment.

With this Bulletin, Freddie Mac is eliminating the requirement that the modification include partial principal forbearance. Servicers must work with HFAs to determine the amount of assistance needed to assist eligible Borrowers in qualifying for a modification.

Section 64.12, *Hardest Hit Fund*, and the "HAMP Trial Period Plan Notice" and "Standard Modification Trial Period Plan Notice" evaluation model clauses in Exhibit 93, *Evaluation Model Clauses*, have been updated to reflect this change.

### Reporting to Freddie Mac

Additionally, we have updated the *Spreadsheet for Hardest Hit Fund Mortgages* located on **http://www.freddiemac.com/singlefamily/service/hfa_relief.html** to include a column for the amount of assistance provided to the Borrower. Effective immediately, Servicers must use this spreadsheet and include the amount of HFA assistance when submitting the monthly report to Freddie Mac. Consult the spreadsheet for specific instructions on reporting the relevant data to Freddie Mac.

## REINSTATING MORTGAGES IN FORECLOSURE STATUS

We are updating the Guide to provide further guidance on reporting payments received during the Trial Period and the activities a Servicer must undertake after determining a Borrower has not successfully completed a Trial Period Plan, such as under the Home Affordable Modification Program (HAMP) modification or for a Freddie Mac Standard Modification.

Servicers must ensure that upon receipt of any Trial Period payment such funds are placed in the Borrower's suspense account. When the aggregated amount equals or exceeds the oldest delinquent payment due, the Servicer must apply such funds to the Borrower's account to pay the oldest delinquent payment due in accordance with the Note and Security Instrument, and any modification agreement, if applicable. Servicers are reminded that they must reinstate an inactive Mortgage upon posting the oldest delinquent payment due.

In addition, Servicers are reminded that the modification of a Borrower's Mortgage under any Freddie Mac modification program does not modify or in any manner change a Servicer's reporting and remitting obligations to Freddie Mac. Servicers of Mortgages sold to Freddie Mac under the super accelerated remittance cycle ("super ARC") option must continue to report and remit the modified payments under their scheduled/scheduled obligations.

Refer to Section B65.26, *Reporting and Remittance Requirements*, for more information on reporting and remitting such payments to Freddie Mac.

### Foreclosure actions

In addition, Servicers are reminded that foreclosure may be initiated or resumed, if applicable, if the Borrower fails to comply with the terms of the Trial Period Plan or fails to execute the modification agreement. The Servicer must report any initiated or resumed foreclosure activity via Electronic Default Reporting (EDR).

Sections B65.19, *Trial Period Plan Requirements*, B65.26 and C65.7.1, *Foreclosure Actions and Borrowers in Bankruptcy*, have been updated to reflect these requirements.

## REVISIONS TO FORM 710 AND MEDICAL HARDSHIP DOCUMENTATION REQUIREMENTS

We are revising Form 710 to reflect that detailed medical information is not required to support the hardship category "Long-term or permanent disability; serious illness of a Borrower/co-Borrower or dependent family member." The list of acceptable documentation to support this hardship has been reordered and now includes an additional option of "Written statement or other documentation verifying disability or illness." Section 65.17, *Verifying a Borrower's Hardship*, has also been updated to reflect these revisions.

We have also revised Form 710 to include three specific questions related to Borrowers who are service members.

Servicers are encouraged to begin using the revised Form 710 immediately, but must include the revised Form 710 with all Borrower Solicitation Packages sent out on or after **April 1, 2013**. Revised Section 65.17 is effective immediately. Until the new Form 710 is implemented, if the Servicer receives a Borrower Response Package with documentation satisfying the requirements of the revised Form 710, the Servicer must not request additional information from the Borrower.

## REVISIONS TO BORROWER INCOME VERIFICATION REQUIREMENTS

We have revised Section 65.18, *Borrower Income Documentation*, to eliminate the requirement that the Servicer determine that alimony, child support or separate maintenance will continue for the next three years in order for the income to be considered in calculating the terms of the modification.

## OBTAINING A PROPERTY VALUE FOR A STANDARD SHORT SALE – WHEN BORROWER IS CURRENT OR LESS THAN 31 DAYS DELINQUENT

In Bulletin 2012-16, we introduced our new process for obtaining a property value and minimum net proceeds via the Service Loans application for a Standard Short Sale when the Borrower is 31 days or more delinquent. With this Bulletin, we are updating the Guide to require Servicers to follow this same Service Loans application process for Servicers when the Borrower is current or less than 31 days delinquent. As a result of this change, Servicers may no longer obtain a property value via BPOdirect® if the Borrower is current or less than 31 days delinquent and is being considered for a Standard Short Sale. Likewise Servicers must no longer send an e-mail request to **shortsales@freddiemac.com** to obtain the minimum net proceeds for these Borrowers.

Sections 65.39, *Obtaining a Property Value*, and B65.38, *Property Valuation and Minimum Net Proceeds*, have been updated to reflect this change.

## HOME AFFORDABLE FORECLOSURE ALTERNATIVES (HAFA) EXPIRATION

In Bulletin 2012-16, we announced the expiration of the HAFA initiative. In order for a Borrower to be eligible for HAFA, the Servicer must have received a fully executed Short Sale Agreement ("SSA") or Deed-in-Lieu Agreement ("DIL Agreement") from the Borrower by December 31, 2012. We have updated Chapters 64, *Delinquencies*, 65, *Loss Mitigation*, A65, D65, *Home Affordable Foreclosure Alternatives*, and Exhibit 93, *Evaluation Model Clauses*, to reflect that Servicers may no longer evaluate Borrowers for HAFA eligibility, but rather must consider the Borrower for a Standard Short Sale or a Freddie Mac Standard Deed-in-Lieu of Foreclosure. Chapter D65 remains available for Servicer reference to review HAFA Short Sale and HAFA Deed-in-Lieu eligibility and evaluation requirements and utilize the HAFA settlement requirements to close out their final HAFA files.

## REDUCED, SUSPENDED OR DENIED MORTGAGE INSURANCE CLAIMS

**Effective January 1, 2013**

In Bulletin 2012-20, Freddie Mac announced certain changes that included permitting Servicers 60 days to remit payment or appeal if offered a repurchase alternative in lieu of requiring immediate repurchase. However, we did not make the related revisions to Section 70.10, *Reduced, Suspended or Denied Claims*. We have now updated Section 70.10 to provide that effective January 1, 2013, Freddie Mac will notify Servicers by letter of reduced, suspended or denied claims, and the letter will include the remedy requested (repurchase or a repurchase alternative in accordance with Chapter 72, *Repurchases*). The letter will also allow the Servicer 60 days, or specify some other time period, to remit funds and provide information about filing an appeal.

## DIRECTORY UPDATES

We have updated Directory 3 with new contact information for investor reporting and Directory 5 with new contact information for non-performing loans and distressed properties.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 54, 64, 65, A65, B65, C65, D65, 66, 69, A69 and 70
- Exhibits 83, 83A, 93 and 99
- Form 710
- 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

# Bulletin

**NUMBER: 2013-4**

**TO**: Freddie Mac Servicers February 22, 2013

## SUBJECT: TEMPORARY PROPERTY INSURANCE CLAIM REQUIREMENTS FOR PROPERTIES AFFECTED BY HURRICANE SANDY

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are temporarily revising our property insurance proceeds disbursement requirements to enable Servicers to more quickly release insurance proceeds to Borrowers impacted by Hurricane Sandy and temporarily increasing Servicer delegation authority by not requiring Servicers to submit a recommendation to Freddie Mac when the Mortgage is in foreclosure or the insured improvements have suffered a total or near total loss.

## EFFECTIVE DATE

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

## PROPERTY INSURANCE CLAIMS

### Revised temporary property insurance proceeds disbursement requirements

Guide Section 58.10(a) provides requirements regarding release of insurance proceeds to Borrowers to repair or rebuild their Mortgaged Premises. For Mortgaged Premises that sustained damage from Hurricane Sandy and are located in an eligible Disaster Area, Freddie Mac temporarily amended these requirements with Bulletin 2012-26 because impacted Borrowers needed up front insurance proceeds in order to engage contractors to repair or rebuild their homes.

Except as specifically set forth in this Bulletin and Bulletins 2012-26 (as amended herein), 2012-29 and 2013-1 (collectively, the "Hurricane Sandy Bulletins"), Servicers must continue to follow all applicable requirements set forth in Guide Section 58.10, *Insurance Loss Settlements*, and Guide Chapter 68, *Servicing Mortgages Impacted by a Disaster*, for Mortgaged Premises impacted by Hurricane Sandy.

To avoid unnecessary delays in the release of these funds, it is imperative that Servicers ensure that the appropriate staff members are familiar with these Hurricane Sandy-specific requirements.

With this Bulletin, we are replacing the requirements set forth in Bulletin 2012-26, solely as they relate to property insurance claims, by further easing the temporary insurance disbursement requirements specified in Section 58.10(a) for Mortgages that were 30 or fewer days delinquent at the time of the hurricane as follows:

***When the property securing the Mortgage has suffered less than a total or near total loss***

The Servicer must use its discretion to determine the amount of insurance proceeds to disburse and the timing of the disbursements. There are no limitations on the amount of funds that the Servicer can disburse. Thus, a Servicer may choose to disburse proceeds for the repairs and restoration in a single payment, regardless of the amount, or in a series of progress payments as work is completed.

Servicers must use their discretion as permitted in Section 58.10 to manage the disbursement of funds and completion of repairs, provided the repairs are completed by licensed and insured contractors. When exercising such discretion, Servicers must implement policies on Freddie Mac Mortgages consistent with

the Servicer's own policies for Mortgages serviced for its own wholly owned portfolio, in addition to the guidance outlined in Section 58.10 and the Hurricane Sandy Bulletins.

***When the property securing the Mortgage has suffered a total or near total loss***

| **Primary Residence** | **Second home/Investment Property** |
|---|---|
| The Servicer may release insurance proceeds up to the greater of $40,000 or 10% of the unpaid principal balance (UPB) as follows:<br>■ Proceeds of $20,000 or less may be released directly from the Servicer to the Borrower without an affidavit in which the Borrower expressly agrees to apply the released funds to promptly repair or reconstruct the residence<br>■ Proceeds greater than $20,000 must be made payable to both the Borrower and the contractor | Servicers may release insurance proceeds to the Borrower and contractor, up to the lesser of $15,000 or 20% of the total claim proceeds without obtaining an affidavit in which the Borrower expressly agrees to apply the released funds to promptly repair or reconstruct the residence. |

**We are not updating requirements for Mortgages that were 31 or more days delinquent at the time of the hurricane, and the provisions of Section 58.10 continue to apply.**

### Insurance proceeds for non-structural losses

Servicers are reminded that 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.

### Additional temporary delegation of authority requirements for all property insurance claims

Section 58.10 requires Servicers to submit a report and related recommendation to Freddie Mac when certain conditions exist. We are further temporarily increasing Servicer delegation authority by not requiring Servicers to submit a recommendation to Freddie Mac when:

- The Mortgage is in foreclosure, or
- The insured improvements have suffered a total or near total loss

Servicers are reminded that except as specifically set forth in this Bulletin, the existing requirements in Section 58.10, including the oversight requirements of Section 58.10(b), are applicable.

## REMINDER: EXTENSION OF FORECLOSURE SALE AND EVICTION CLOSEOUT MORATORIUM RELATED TO HURRICANE SANDY

With this Bulletin, we are also reminding Servicers of the requirements announced in Bulletin 2013-1. The extension of the foreclosure sale moratorium announced in Bulletin 2013-1 applies to Borrowers whose Mortgaged Premises or places of employment are located within the Federal Emergency Management Agency (FEMA) declared Disaster Area eligible for individual assistance due to Hurricane Sandy. However, the moratorium on eviction closeouts is limited only to situations where the Borrower's Mortgaged Premises is located in an eligible Disaster Area as a result of Hurricane Sandy.

## 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

Freddie Mac
We make home possible®

# Bulletin

**NUMBER: 2013-5**

**TO**: Freddie Mac Servicers March 27, 2013

## SUBJECT: NEW FREDDIE MAC STREAMLINED MODIFICATION AND UPDATES TO FREDDIE MAC STANDARD MODIFICATION REQUIREMENTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing the Freddie Mac Streamlined Modification ("Streamlined Modification"), which provides an additional modification opportunity to certain Borrowers who are at least 90 days delinquent but not more than 720 days delinquent. We are also adding solicitation requirements that are specific to the Streamlined Modification and must be implemented by Servicers in addition to, and not in place of, the existing solicitation requirements described in Guide Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*.

In addition, we are revising some of the Freddie Mac Standard Modification ("Standard Modification") eligibility requirements in Section B65.13, *Eligibility Requirements for a Freddie Mac Standard Modification*, and updating Section B65.14, *Ineligibility for Freddie Mac Standard Modification*, to reflect additional eligibility exclusions.

## STREAMLINED MODIFICATION

### Effective July 1, 2013

The Streamlined Modification, a part of the Servicing Alignment Initiative (SAI) developed under the direction of the Federal Housing Finance Agency (FHFA), is a temporary initiative designed to provide an additional modification opportunity for seriously delinquent Borrowers. In order to qualify for a Streamlined Modification, the Borrower is not required to provide a Borrower Response Package and the Servicer is not required to verify the Borrower's income or that the Borrower has an eligible hardship. A Borrower who qualifies for a Streamlined Modification will be required to successfully complete a trial period of at least three months prior to being offered a permanent modification. The Streamlined Modification offers the same Mortgage terms as the Standard Modification, which are determined in accordance with Section B65.18(a).

Effective **July 1, 2013**, Servicers must evaluate any Borrower who is at least 90 days delinquent but not more than 720 days delinquent for a Streamlined Modification in accordance with the requirements of new Section B65.12.1, *Freddie Mac Streamlined Modification*.

If the Borrower is at least 90 days delinquent as of the evaluation date and otherwise meets all the eligibility requirements of Section B65.12.1, he or she remains eligible for a Streamlined Modification even if the Borrower subsequently makes a full Mortgage payment and becomes less than 90 days delinquent.

Section B65.12.1 contains detailed eligibility, ineligibility and other requirements for the Streamlined Modification, including unique requirements for reviewing a Borrower Response Package received after a Streamlined Modification Trial Period Plan Notice has been sent to the Borrower.

In addition:

- Section B65.19, *Trial Period Plan Requirements*, has been revised to incorporate requirements for the Streamlined Modification Trial Period Plan Notice
- Section B65.21, *Other Conditions and Requirements*, has been revised to reflect specific Electronic Default Reporting (EDR) requirements for a Streamlined Modification.
- Section 65.8, *Performance Standards*, has been updated to include information pertaining to Borrower Response Package benchmarks and incentives
- Guide Exhibit 93, *Evaluation Model Clauses*, has been updated to include the Streamlined Modification Trial Period Plan Notice

Except as otherwise provided in Section B65.12.1, Servicers must process a Streamlined Modification consistent with the requirements for a Standard Modification in Sections B65.16, *Property Valuation Requirements*, and B65.18, *Determining the Terms of a Freddie Mac Standard Modification*, through B65.26, *Reporting and Remittance Requirements*.

A Streamlined Modification must have a Trial Period Plan Effective Date no earlier than **August 1, 2013** and no later than **August 1, 2015**.

### Workout Prospector®

We will communicate to Servicers in a future Bulletin the date Workout Prospector will be available to process the terms of the Streamlined Modification. In the interim, Servicers must begin evaluating Borrowers for a Streamlined Modification Trial Period Plan on or after July 1, 2013, and generate the terms of the Trial Period Plan using their proprietary systems. Servicers must still report the Streamlined Modification Trial Period Plan to Freddie Mac via Electronic Default Reporting (EDR), as described in the "Reporting" section below, even if they processed the Mortgage using their proprietary systems. Once Freddie Mac communicates the availability of Workout Prospector for the Streamlined Modification, Servicers must submit to Workout Prospector data relating to Streamlined Modification Trial Period Plans processed through their proprietary systems.

Guide Chapter B65, *Workout Options*, and Sections 65.8, 65.15, *Overview*, and 65.17, *Verifying a Borrower's Hardship*, have been revised to reflect the Streamlined Modification.

### Solicitation requirements

The following solicitation requirements for the Streamlined Modification are in addition to, and not in place of, existing Borrower solicitation requirements in Section 64.6.

#### *Borrowers who become 90 days delinquent on or after July 1, 2013*

For a Borrower who becomes 90 days delinquent on or after July 1, 2013, and the Servicer determines is eligible for a Streamlined Modification in accordance with the requirements of Section B65.12.1, the Servicer must send an initial solicitation, that includes new Exhibit 1191, *Streamlined Modification Solicitation Letter*, and the Streamlined Modification Trial Period Plan Notice, no later than the 105th day of Delinquency if:

- The Servicer has not received a complete Borrower Response Package prior to the 90th day of Delinquency, or
- The Servicer previously conducted an evaluation of a complete Borrower Response Package and determined that the Borrower was not eligible for an alternative to foreclosure, or
- The Borrower has rejected all other alternatives to foreclosure offered by the Servicer, or
- The Servicer has received a complete Borrower Response Package, but has not completed its evaluation of the package prior to the date a Streamlined Modification solicitation will be sent to the Borrower. Refer to the "Borrower Response Package" section below for requirements on evaluating a complete Borrower Response Package after a Streamlined Modification solicitation has been sent to the Borrower.

If the Servicer fails to send the Streamlined Modification solicitation to the Borrower by the 105th day of Delinquency, the Servicer must solicit the eligible Borrower as soon as possible to minimize the impacts of the delay.

Use of the Streamlined Modification Solicitation Letter and the Streamlined Modification Trial Period Plan Notice is optional and may be altered at the Servicer's discretion as it deems necessary to meet the requirements of the Guide and to comply with disclosure and other requirements under applicable law. However, the Streamlined Modification Solicitation letter must include the date the Borrower must return a complete Borrower Response Package in order to be evaluated for a Home Affordable Modification Program (HAMP) modification or another alternative to foreclosure. The response date in the solicitation letter must be after the scheduled due date for the second Trial Period Plan payment and prior to the date the Servicer anticipates sending the modification agreement to the Borrower for signature.

***Borrowers who are more than 90 days delinquent as of July 1, 2013***

For a Borrower who is more than 90 days delinquent but not more than 720 days delinquent as of July 1, 2013, and the Servicer determines is eligible for a Streamlined Modification in accordance with the requirements of Section B65.12.1, the Servicer must send at least one solicitation that includes the Streamlined Modification Solicitation Letter and the Streamlined Modification Trial Period Plan Notice no later than 15 days after the eligibility evaluation. However, Servicers must ensure solicitation attempts cease at least 60 days prior to the foreclosure sale date for a judicial foreclosure and 30 days prior to the foreclosure sale date for a non-judicial foreclosure.

***Subsequent solicitations for a Streamlined Modification after the initial solicitation***

After sending the initial Streamlined Modification solicitation, Servicers may use their discretion when deciding whether to continue soliciting Borrowers for the Streamlined Modification. However, Servicers must continue to comply with the solicitation requirements described in Section 64.6, including the requirement that they continue to try to contact and solicit the Borrower for alternatives to foreclosure throughout the Delinquency and foreclosure process, and up to 60 days prior to the foreclosure sale date for a judicial foreclosure or 30 days prior to the foreclosure sale date for a non-judicial foreclosure, unless:

- The Servicer has established direct contact with the Borrower and the Borrower does not want to pursue an alternative to foreclosure, or
- The Servicer has evaluated the Borrower for alternatives to foreclosure in accordance with the Guide and determined that foreclosure is the appropriate course of action

Sections 64.5, *Collection Efforts*, and 64.6 have been updated to reflect these solicitation requirements.

### Borrower Response Package

If the Servicer receives a complete Borrower Response Package after the date the Streamlined Modification solicitation is sent to the Borrower and prior to sending the modification agreement, the Servicer must acknowledge receipt of the package and:

- Review the Borrower for eligibility under HAMP in accordance with the requirements in Chapter C65, *Home Affordable Modification Program*, if the Borrower has accepted the Streamlined Modification Trial Period Plan, or
- Review the Borrower for all alternatives to foreclosure in accordance with the Guide if the Borrower has not accepted the Streamlined Modification Trial Period Plan

In situations where the Servicer has received a complete Borrower Response Package, but has not completed its evaluation of the package **prior to sending the Streamlined Modification solicitation** and the Borrower has not yet accepted the offer, the Servicer must complete its review of the package for all alternatives to foreclosure in accordance with the Guide. However, if the Borrower has accepted the Streamlined Modification Trial Period Plan, the Servicer must complete its review of the Borrower Response Package for a HAMP modification.

If the Borrower qualifies for a HAMP modification and the post-modified monthly principal and interest payment under the HAMP modification is less than the principal and interest payment available under the Streamlined Modification, the Servicer must offer the Borrower the HAMP modification. Servicers must send a HAMP Agreement Cover Letter (Form 1118) to the Borrower indicating that a restart of the Trial Period is not required and if the Borrower complies with the terms of the Streamlined Modification Trial Period Plan and executes the Home Affordable Modification Agreement (Form 3157), he or she will receive the HAMP modification terms. The Servicer must require the Borrower to continue making the Streamlined Modification Trial Period Plan payments and send the Borrower a Home Affordable Modification Agreement reflecting HAMP modification terms upon successful completion of the Streamlined Modification Trial Period Plan. The Servicer must convert the existing Streamlined Modification Trial Period Plan to a HAMP Trial Period Plan in Workout Prospector. The Workout Prospector® Users' Guide will be updated to provide additional instruction for this purpose once Workout Prospector has been updated.

If the Borrower does not qualify for a HAMP modification based on a review of a complete Borrower Response Package received during the Trial Period, the Servicer must communicate to the Borrower verbally or in writing the Borrower's ineligibility for HAMP, and reconfirm that if the Borrower complies with the terms of the Streamlined Modification Trial Period Plan and returns an executed modification agreement, the Mortgage will be modified under the terms of the Streamlined Modification.

These requirements are included in Section B65.12.1.

### Reporting

Exhibit 82, *Electronic Default Reporting Transmission Code List*, has been updated to reflect a specific default action code for the Streamlined Modification. Servicers must report Streamlined Modification Trial Period Plan activity using default action code TM – "Alternative Modification Trial Period," by the third Business Day of each month for the previous month's activity and continue to report the code along with the Trial Period Plan Effective Date each month during the Trial Period.

***Mortgages converting to HAMP terms during the Streamlined Modification Trial Period***

If the Mortgage is converting from a Streamlined Modification Trial Period Plan to a HAMP modification without a restart of the Trial Period pursuant to the requirements in Section B65.12.1(d), the Servicer must report at least one month of HAMP Trial Period Plan activity using default action code 09 – "Forbearance", along with reason code HMP – "Home Affordable Modification Program" to complete the reporting of the HAMP Trial Period Plan. The Servicer must report codes HMP and 09 via EDR to indicate a HAMP Trial Period Plan no later than the third Business day of the month in which the modification became effective for the prior month's activity and must indicate the original Trial Period Plan Effective Date that was reported for a Streamlined Modification Trial Period Plan. Refer to Section B65.21 for additional information including an example of the required EDR reporting.

Mortgages that convert from a Streamlined Modification Trial Period Plan to a HAMP Trial Period Plan and modification without restart of the Trial Period must also be reported to Fannie Mae, in its capacity as program administrator for the United States Department of the Treasury ("Program Administrator"), via the HAMP Reporting Tool. Servicers should refer to the Program Administrator for specific reporting requirements on reporting HAMP loan-level data in the HAMP Reporting Tool.

These requirements are provided in Sections B65.12.1 and B65.21, *Other Conditions and Requirements*.

## STANDARD MODIFICATION REVISIONS

**Effective for all new evaluations for a Standard Modification resulting in a Trial Period Plan Effective Date on or after August 1, 2013**

With this Bulletin we are eliminating the requirement that the Standard Modification must result in a principal and interest payment reduction of at least 10%. Instead the new requirement is that the Standard Modification must result in a principal and interest payment that is less than or equal to the pre-modification principal and interest payment.

We are also eliminating the requirement that if the Mortgage had been previously modified within 12 months of the evaluation date, the previous modification must have resulted in a payment reduction of less than 10%.

Section B65.13 has been updated to reflect these changes.

We have also revised the list of Mortgages and Borrowers in Section B65.14 that are ineligible for Standard Modification to include the following:

- Mortgages previously modified to terms that were determined in accordance with Section B65.18 that subsequently became 60 or more days delinquent within 12 months of the Modification Effective Date
- Borrowers who previously failed a Trial Period Plan within 12 months of the evaluation date when the terms of the modification were determined according to the steps required in Section B65.18
- Updates to the eligibility exclusion with respect to Mortgages that are subject to non-routine litigation to incorporate the existing requirement that this exclusion does not apply to those Borrowers who, in good faith, are exercising a right under the federal Consumer Credit Protection Act

## TRAINING

A suite of training materials and reference documents is available to support SAI requirements. To help our Servicers understand the requirements announced in this Bulletin, we are offering additional webinar training. Servicers are encouraged to enroll in the "Guide Bulletin 2013-5: Freddie Mac Streamlined Modification Program" webinar through Freddie Mac's Learning Center at: **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=Bul_FMStream**.

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

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 64, 65 and B65
- Exhibits 82, 93 and 1191

## 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: 2013-6**

**TO**: Freddie Mac Servicers April 15, 2013

## SUBJECTS

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

- Updating the allowable amounts for attorney fees related to foreclosure, deed-in-lieu of foreclosure (DIL) and bankruptcy, and announcing changes to the reimbursement process for default-related legal service expenses
- Updating the Guide to provide new requirements for bidding at a foreclosure sale
- Updating the Guide to require that Seller/Servicers direct MIs providing coverage on Mortgages sold to and/or serviced for Freddie Mac to release data to Freddie Mac at Freddie Mac's request by executing new Guide Form 1207, *Freddie Mac Mortgage Insurance Information Disclosure Agreement*
- Reminding Servicers of the reporting activities they must undertake after extending Trial Periods for Borrowers who subsequently file for bankruptcy during the Trial Period Plan and providing requirements on reporting the optional interim month
- Revising Freddie Mac Servicing Success Program requirements related to Servicer Success File Reviews and the Servicer Performance Profile
- Updating the Guide to reflect the retirement of the Freddie Mac Home Affordable Foreclosure Alternatives (HAFA) initiative
- Announcing revised Forms 16SF, *Annual Eligibility Certification Report*, and 1107SF, *Seller/Servicer Change Notification*, that reflect definition changes announced in Bulletin 2012-23 and collection of additional Seller/Servicer ownership information
- Amending Guide Exhibit 83A, *Determining State Foreclosure Time Line Performance Compensatory Fees*, to provide information on how to access the Foreclosure Time Line Compensatory Fees Reference Guide, an additional resource provided by Freddie Mac
- Updating Directory 5 to consolidate and revise certain e-mail addresses used by Servicers to send information to Freddie Mac

## EFFECTIVE DATE

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

## DEFAULT-RELATED LEGAL SERVICES

**Effective June 1, 2013, unless otherwise noted**

As a follow up to Bulletin 2012-25, Freddie Mac is updating the allowable amounts for attorney fees related to foreclosure, DIL and bankruptcy, and announcing changes to the reimbursement process due to the new requirements of Guide Chapter 69, *Selection, Retention, and Management of Law Firms for Freddie Mac Default Legal Matters*, which also go into effect on **June 1, 2013**.

### Attorney fee reimbursement limits

Freddie Mac is updating the maximum allowable amounts it will reimburse Servicers for attorney fees related to foreclosure and DIL in certain jurisdictions.

Additionally, for bankruptcy fees, Freddie Mac is updating the current structure from a baseline attorney fee model to a "Menu Billing" fee model nationwide. "Menu Billing" allows firms to be paid when they have achieved certain milestones during the bankruptcy proceeding.

Exhibit 57A, *Approved Attorney Fees and Title Expenses*, which sets forth the maximum allowable amounts Freddie Mac will reimburse Servicers for attorney fees related to foreclosure, DIL and bankruptcy, has been updated to reflect revisions to the maximum allowable amounts effective for all reimbursement claims submitted **on or after June 1, 2013**.

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.

### Changes to the reimbursement process

Freddie Mac is also announcing changes to the Reimbursement System to align with the requirements of Chapter 69. These changes will support and enhance new or existing processes, and retire expiring processes.

Specifically, changes to the Reimbursement System include:

- Retiring the 104DC claims process and its associated expense codes
  - All Reimbursement System users for designated counsel firms will not be permitted to login using their login/credentials
- Creating new and revising existing 104SF expense codes for "Bankruptcy," "Foreclosure" or "Other Legal" action categories to:
  - Align with the expiring expense codes applicable to 104DC claims
  - More accurately track default-related expenses
  - Allow the Servicer to select whether the attorney fees paid to law firms handling default-related legal matters on Freddie Mac-owned or guaranteed Mortgages were for non-judicial or judicial foreclosure types
- Modifying 104SF claims and batch templates to accommodate additional/new fields. In a future communication, Freddie Mac plans to provide further guidance on the updated fields on the associated 104SF claims and batch templates.
  - To track expense reimbursements paid to Servicers for use of particular law firms handling default-related legal matters on Freddie Mac-owned or guaranteed Mortgages, Servicers will be required to select the law firm when choosing expense codes associated with "Bankruptcy," "Foreclosure" or "Other Legal" actions.
  - To ensure Servicers are following Guide requirements with regards to default-related legal matters, when selecting "Bankruptcy" expense codes, Servicers will be required to indicate whether the bankruptcy filing was filed in a different jurisdiction than where the property is located
  - For batch templates, new fields are being added to accommodate the tracking of expense reimbursements and to indicate if the bankruptcy filing was in a different jurisdiction than where the property is located

Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*, has been updated to reflect the revised expense codes.

Sections 66.15.2, *Foreclosure Counsel Fees*, 67.10, *Managing New Bankruptcy Filings*, and 71.19, *Reimbursement of Fees and Costs Incurred during Legal Proceedings*, and Exhibits 57, *1- to 4-Unit Property Approved Expense Amounts*, and 59, *City of Chicago Illinois Vacant Property Ordinance Expense Codes*, have also been updated to reflect the changes to the Reimbursement System.

***Important considerations for timely claim submissions***

The Reimbursement System will continue to process all 104DC claims created and submitted to Freddie Mac **prior to June 1, 2013**. All claims that are submitted on or after June 1, 2013, including Servicer reimbursement claims for fees paid to designated counsel firms, must be submitted using the expense codes on the 104SF claim. Therefore, Servicers should prepare for this transition and are strongly encouraged to submit all 104DC claims to Freddie Mac prior to June 1, 2013 for foreclosure actions resolved prior to June 1, 2013. **All claims submitted on or after June 1, 2013, regardless of when the foreclosure action was resolved, must be submitted through a 104SF claim.**

All existing requests for pre-approval (RPA) of expenses for Mortgages in the designated counsel program for which the expense has not yet been submitted will be mapped over to the new 104SF claim expense codes on June 1, 2013, and will be paid when the associated 104SF claim is submitted following the foreclosure action being resolved. All RPA requests submitted by designated counsel firms that are not processed by Freddie Mac by June 1, 2013 will not be processed; Servicers will instead be required to re-submit the RPA requests using the new 104SF claim expense codes. All future requests for over-allowable attorney fees and costs, or RPA submissions for other over-allowable approvals that would otherwise have been handled by designated counsel firms, must be requested by the Servicer through the current RPA process in the Reimbursement System.

***Outstanding claims for attorney fees and costs paid to the Law Offices of Marshall Watson, P.A.***

In March 2011 Freddie Mac and the Law Offices of Marshall Watson, P.A. ("Watson") agreed that the law firm would end its participation in the designated counsel program. Subsequently, Freddie Mac announced invoicing and billing procedures for Servicers to follow for appropriate reimbursement. As a result of the 104DC claim process being retired, all 104DC claims submitted to Servicers by Watson must be submitted to Freddie Mac before June 1, 2013. These 104DC claims for expense reimbursement will be processed and paid as provided in Section 71.13, *Claim Submission Types and Time Frames*.

***Use of Reimbursement System by permitted vendors***

Servicers have administrative rights to delegate or assign vendors to submit claims on their behalf, as provided in Section 71.8, *Use of Reimbursement System by Permitted Vendors*. **Effective immediately**, Servicers may use this administrative right to permit vendors to submit 104SF claims and RPAs on their behalf.

As a reminder, for any permitted vendor, Servicers must maintain a completed and signed Exhibit 92, *Reimbursement System User Agreement – Permitted Vendor*, and make it available to Freddie Mac upon request.

## Foreclosure sale bidding

***Reminder for Freddie Mac Default Legal Matters referred to designated counsel prior to June 1, 2013***

Designated counsel will no longer obtain a property valuation from Freddie Mac through BPOdirect® to process foreclosures and related litigation for Freddie Mac Default Legal Matters referred to designated counsel prior to June 1, 2013 ("Legacy Matters"). Further, law firms handling Freddie Mac Default Legal Matters will no longer determine the beginning bid and final bid at a foreclosure sale.

***Foreclosure sale bidding for foreclosure sales on or after June 1, 2013***

We are updating the Guide to provide Servicers with new requirements for foreclosure sale bidding on First Lien Mortgages not covered by mortgage insurance for foreclosure sales conducted on or after **June 1, 2013**.

Sections 65.38, *When to Obtain a Property Value*, 66.39, *When to Obtain a Valuation for Foreclosure Sale Bidding*, 66.42, *Delegated Bidding*, and 66.43, *First Lien Mortgages Not Covered by Mortgage Insurance*, have been updated to reflect these new requirements, which are based on both property value and location of the Mortgaged Premises.

### Exhibit 79, *Designated Counsel/Trustee*

In conjunction with the new requirements provided in Chapter 69, we are retiring Exhibit 79, *Designated Counsel/Trustee,* and removing it from **FreddieMac.com**, effective **June 1, 2013**.

## SELLER/SERVICER AND MORTGAGE INSURANCE COMPANY INFORMATION DISCLOSURE REQUIREMENTS

**Effective July 31, 2013**

Freddie Mac, at times, may need to verify directly with MIs the presence and nature of mortgage insurance coverage on Mortgages sold to and serviced for Freddie Mac. In order to expedite this verification process and facilitate the completion of other day-to-day activities, Freddie Mac is updating the Guide to require that its Seller/Servicers direct MIs in writing to release data to Freddie Mac at Freddie Mac's request. Seller/Servicers must instruct each MI that currently provides, or that in the future may provide, coverage on Mortgages it sold to and/or services for Freddie Mac to comply with any Freddie Mac request for information, data and materials relating to Freddie Mac Mortgages.

To comply with this requirement, a Seller/Servicer must provide written instructions to each applicable MI using Form 1207. Seller/Servicers must deliver a fully executed copy of the information disclosure agreement for each applicable MI to Freddie Mac at **MI_Questions@FreddieMac.com** by **July 31, 2013** or before the MI begins providing insurance covering Mortgages, whichever is later.

Servicers should implement the new form and disclosure requirements as soon as possible in order to ensure that the fully executed Form 1207 for each applicable MI is delivered to Freddie Mac by July 31, 2013.

Section 61.9, *Requirement to Direct MI Disclosure of Mortgage Information to Freddie Mac*, has been added to reflect this requirement.

### Continued Servicer responsibilities

It is possible that with this change, Freddie Mac, through its interaction with the MI, may acquire information generally provided to Freddie Mac by the Seller/Servicer. Our receipt of such information, or our ability to receive such information, from the MI does not exempt the Seller/Servicer from complying with any reporting or disclosure requirements specified by the Guide or other Purchase Documents.

## TRIAL PERIOD PLANS

### Interim month reporting

We are updating the Guide to provide Servicers with requirements for reporting the optional interim month during a Trial Period Plan via Electronic Default Reporting (EDR). These requirements apply to Home Affordable Modification Program (HAMP), Freddie Mac Standard Modification ("Standard Modification") and Freddie Mac Streamlined Modification ("Streamlined Modification") Trial Period Plans.

Per the existing Guide requirements, Servicers may, at their option, elect to use the interim month in the event that a Borrower does not pay the final Trial Period payment on or before the due date set forth in a Trial Period Plan Notice. When Servicers elect to use this option, they must prepare the modification agreement such that the Modification Effective Date and the first modified payment due date is the first day of the second month following the final Trial Period month.

Servicers are required to report the appropriate EDR default action and default reason codes during the Trial Period and the optional interim month in the manner required by the Guide and/or the Servicer's other Purchase Documents. When reporting the optional interim month, Servicers must report default reason code "HMP" with default action code "09" for a HAMP modification, default action code "BF" for a Standard Modification, and default action code "TM" for a Streamlined Modification. The Servicer must also report the Trial Period Plan Effective Date as the default action date until the code would no longer apply once the Mortgage is modified.

Sections B65.21, *Other Conditions and Requirements*, B65.24, *Preparing to Close the Loan Modification*, C65.7, *Modification Process*, and C65.11, *HAMP Activity Reporting Requirements*, and Exhibit 82, *Electronic Default Reporting Transmission Code List*, have been updated to reflect these requirements.

### Bankruptcy during the Trial Period

In addition, Servicers are reminded that Borrowers who are in a HAMP modification, Standard Modification or Streamlined Modification Trial Period Plan and subsequently file for bankruptcy may not be denied a modification on the basis of the bankruptcy filing. Servicers should extend the Trial Period Plan as necessary to accommodate any delays in obtaining court approval or receiving a full remittance of the Borrower's Trial Period payments when they are made to a trustee, but the Trial Period must not be extended beyond two months, resulting in a total five-month Trial Period. Borrowers must make a Trial Period payment for each month of the Trial Period, including any extension month(s), in order to remain eligible for a HAMP modification, Standard Modification or a Streamlined Modification.

During the extended Trial Period, Servicers must continue to report default reason code "HMP" with default action code "09" for a HAMP modification, the default action code "BF" for a Standard Modification, and the default action code "TM" for a Streamlined Modification, via EDR.

Refer to Sections B65.19(b), *Requirements during the Trial Period*, and C65.7.1(b), *Borrowers in Bankruptcy*, for more information on requirements for bankruptcy during the Trial Period.

## SERVICING SUCCESS PROGRAM CHANGES

### Servicer Success File Review documentation

To provide general consistency with other file request time lines, we have increased the time frame for Freddie Mac's receipt of the requested Servicer Success File Review documentation from 10 calendar days to 30 calendar days from the date of the letter requesting the documentation, or such other time frame Freddie Mac specifies in the request.

We have amended the Guide to clarify that any response or appeal to the File Review findings must be predicated on previously submitted documentation. Freddie Mac will not accept any documentation with the appeal that the Servicer failed to submit in response to the File Review request.

Servicing violations that are identified during a File Review will be managed in accordance with the Guide, and as described in Bulletin 2012-20. Servicers should review that Bulletin for information related to curing a violation, repurchase of a Mortgage and repurchase alternatives, and appealing a repurchase or repurchase alternative.

Section 51.9.1, *Freddie Mac Servicer Success File Reviews*, has been updated to reflect these changes.

### Changes to process for receipt of the Executive Summary Report (ESR) in the Servicer Performance Profile

In Bulletin 2011-20 Freddie Mac announced that Servicers may receive an ESR that contains aggregated global family performance data. The "global family" includes affiliates of a Servicer controlled by a common parent entity and that parent itself.

Freddie Mac will now provide aggregated global family performance data and ESRs to **all** Servicers on May 7, 2013 **unless** a Servicer notifies Freddie Mac that it does not wish to receive access to global family performance data in the Global Family Scorecard and the ESR.

***Deadline to notify Freddie Mac***

If a Servicer does not wish to receive access to the global family performance data in the Global Family Scorecard and the ESR, an officer or individual with appropriate corporate authority must provide a written request to the Servicer's Freddie Mac representative. **If one Servicer in a global family opts out of receipt of the global family performance data, then the ESR and Global Family Scorecard will not be available to that Servicer or any other members of that Servicer's global family.**

Servicers must submit the written request to their Freddie Mac representative **no later than close of business on April 30, 2013** if they do not wish to receive access to the global family performance data and ESR with the initial release date on May 7, 2013. If in the future, a Servicer would like to amend its access (i.e., to obtain access or opt out of access, as applicable) to global family performance data and the ESR, a Servicer may provide a written request to their Freddie Mac representative. At least seven Business Days are required to process the request. Note: If a new servicer family is added to the global family in the future, such servicer family's data will be included with the Global Family Scorecard and ESR unless Freddie Mac is notified otherwise.

## HOME AFFORDABLE FORECLOSURE ALTERNATIVES (HAFA) RETIREMENT

As previously announced in Bulletins 2012-16 and 2013-3, Borrowers must have submitted a fully executed HAFA Short Sale Agreement or HAFA DIL Agreement to the Servicer no later than December 31, 2012 to be eligible for HAFA. With this Bulletin we are providing the additional requirement that any HAFA Short Sale or HAFA DIL must close by **August 31, 2013**.

No later than **August 31, 2013**, Servicers must:

- Complete and report all HAFA-approved transactions to Freddie Mac in accordance with Guide requirements
- Provide any required reporting of HAFA transactions to the Making Home Affordable Program Administrator

We are retaining the HAFA requirements in the Guide through August 31, 2013 so that Servicers may reference the necessary Guide requirements to facilitate settlement of their approved HAFA Mortgages.

All applicable Guide sections and exhibits will be updated effective **September 1, 2013** to reflect the retirement of HAFA.

In addition, all HAFA forms and other HAFA information posted on **Freddiemac.com** will be retired.

## UPDATES TO FORMS 16SF AND 1107SF

In Bulletin 2012-23 Freddie Mac reaffirmed its commitment to diversity and inclusion by updating the Glossary to reflect definitions of "Minority-Owned Business Enterprise" and "Women-Owned Business Enterprise" and to add a definition for "Disabled-Owned Business Enterprise" consistent with the Housing and Economic Recovery Act of 2008 (HERA) and the Federal Housing Finance Agency (FHFA) implementing regulation requirements.

With this Bulletin we are notifying Servicers that we have updated Forms 16SF and 1107SF to reflect these revised/new definitions and also to add two additional diversity categories relating to Seller/Servicer ownership information that Freddie Mac will collect going forward.

## FORECLOSURE TIME LINE COMPENSATORY FEES REFERENCE GUIDE

Freddie Mac provides additional guidance on State foreclosure time line compensatory fees in a reference guide that is available on **Freddiemac.com** at the Learning Center. We are amending Exhibit 83A to provide information to Servicers on how to access the Foreclosure Time Line Compensatory Fees Reference Guide.

This resource provides Servicers with a tool that:

- Explains how Freddie Mac evaluates Servicer foreclosure time line performance
- Provides a review of the Compensatory Fee Analysis Reports that are available
- Outlines the different types of foreclosure time line compensatory fees
- Explains the appeal process
- Identifies delays that Freddie Mac typically may or may not consider when submitting appeals

Servicers are reminded that this resource does not replace the requirements of the Guide or a Servicer's other Purchase Documents, and should only be used as a tool to better service Freddie Mac-owned or guaranteed Mortgages.

## DIRECTORY UPDATES

We have updated Directory 5 to consolidate and revise certain e-mail addresses used by Servicers to send information to Freddie Mac.

The following sections are affected by the Freddie Mac e-mail address revisions made to the Directory:

- 60.1, *General Policy*
- 64.8, *Rental Property*
- A65.28, *Extended Unemployment Forbearance*
- B65.53, *Closing, Reporting and Remittance Requirements*
- 66.48, *States Where Preserving Deficiency Rights is Optional*
- 66.49, *Abandonment*
- 66.50, *Special Circumstances Requiring Freddie Mac's Approval*
- 66.52.1, *Assigning Deficiency Rights After the Foreclosure Sale*

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 7, 50, 51, 57, 61, 64, 65, B65, C65, D65, 66, 67, 71, 73, 78, 79, 82 and A83
- Forms 16SF, 59E, 1107SF and 1207
- Exhibits 57, 57A, 59, 74, 79, 82, 83A, 92 and 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

Freddie Mac
We make home possible®

# Industry Letter

**To**: Freddie Mac Sellers May 6, 2013

## SUBJECT: CONSUMER FINANCIAL PROTECTION BUREAU'S FINAL RULE ON ABILITY TO REPAY AND QUALIFIED MORTGAGE REQUIREMENTS

On January 10, 2013, the Consumer Financial Protection Bureau (CFPB) issued a final rule implementing the ability to repay provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("final rule"). The final rule generally requires a Seller to make a reasonable, good faith determination of a Borrower's ability to repay before originating a Mortgage and establishes certain protections from liability for qualified mortgages. The final rule will be effective for Mortgages with applications received on or after **January 10, 2014**.

## MORTGAGES ELIGIBLE FOR SALE TO FREDDIE MAC

On May 2, 2013, the Federal Housing Finance Agency (FHFA) directed Freddie Mac and Fannie Mae ("GSEs") to limit future purchases to:

- Mortgages that are "qualified mortgages" under the final rule, including those meeting the special or temporary qualified mortgage requirements
- Mortgages that are exempt from the ability to repay requirements, such as investor transactions

Therefore, effective for Mortgages subject to the final rule with applications received on or after **January 10, 2014**, Freddie Mac will not be permitted to purchase the following:

- Mortgages that are not fully amortizing (e.g., Mortgages with a potential for negative amortizations or interest-only Mortgages)
- Mortgages with terms in excess of 30 years (e.g., 40-year fixed-rate Mortgages)
- Mortgages with points and fees in excess of 3% of the total loan amount or such other limits for low balance Mortgages as set forth in the final rule

Freddie Mac will continue to purchase Mortgages that meet existing *Single-Family Seller/Servicer Guide* ("Guide") underwriting and delivery eligibility requirements (e.g., debt-to-income ratio, loan-to-value ratio and reserve requirements), provided they do not fall into the three categories listed above. This includes Mortgages that are evaluated through Loan Prospector®.

## ADDITIONAL GUIDANCE

We currently intend to continue purchasing Freddie Mac Relief Refinance Mortgages℠ and Mortgages sold under written negotiated terms and exceptions to the Guide; however, the CFPB has not yet issued a final determination regarding these items. Whether and how these purchases will be affected in the future will depend on that final determination.

As the industry adopts the final rule, Freddie Mac will monitor market dynamics and work with FHFA to determine if additional updates to our underwriting and eligibility requirements and/or pricing changes should be made.

Initially, for Mortgages with applications received on or after **January 10, 2014**, we will rely on selling representations and warranties that the Mortgage is a qualified mortgage. In the future, we plan to collect and assess data on these Mortgages to assist in validating whether they meet certain qualified mortgage criteria. This process will be phased in over time.

We will also determine if the final rule requires changes to our post purchase file review processes, repurchase requirements and/or updates to our overall selling representation and warranty framework.

At this time, Freddie Mac is assessing the impacts of the final rule on its current requirements and operational processes. We acknowledge that Sellers require adequate notice to implement any system or process changes needed to support the final rule. We are working to complete our assessment and communicate any associated changes this summer.

## CONCLUSION

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

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

# Bulletin

**NUMBER: 2013-7**

**TO**: Freddie Mac Servicers May 13, 2013

## SUBJECT: UPDATES TO MODIFICATION REQUIREMENTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are permitting Servicers to immediately begin offering the Freddie Mac Streamlined Modification ("Streamlined Modification") to all eligible Borrowers. This revision will provide Servicers with an additional option to assist Borrowers who have been impacted by Hurricane Sandy and are transitioning from the disaster-related forbearance period.

In addition, we are advising Servicers that Workout Prospector® will be available July 15, 2013 to process the terms of a Streamlined Modification. Prior to this date, Servicers must generate the terms of each Trial Period Plan using their own proprietary system or third-party system.

Finally, we are revising our property valuation requirements for modifications of Mortgages secured by Manufactured Homes and 2- to 4-unit properties, as well as eliminating the requirement that a property value be obtained for a long-term forbearance plan.

## EFFECTIVE DATE

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

## UPDATES TO THE STREAMLINED MODIFICATION EFFECTIVE DATE TO ASSIST BORROWERS IMPACTED BY HURRICANE SANDY

In Bulletin 2013-5, Freddie Mac announced its requirements for the new Streamlined Modification and required that Servicers offer this modification to eligible Borrowers beginning July 1, 2013. With this Bulletin, Freddie Mac is revising its requirements to permit Servicers to implement this modification option earlier than the mandatory effective date of July 1, 2013. Freddie Mac is making this change primarily to help Servicers achieve effective solutions for Delinquencies caused by Hurricane Sandy; however, this change applies to all eligible Borrowers. As a result, Guide Section *B65.12.1, Freddie Mac Streamlined Modification*, has been revised to eliminate the requirement that a Streamlined Modification Trial Period Plan must not have an effective date prior to August 1, 2013.

All other requirements previously announced in Bulletin 2013-5 remain unchanged, including the requirement that Servicers **must** begin offering a Streamlined Modification Trial Period Plan to Borrowers who are or become eligible on or after July 1, 2013. Servicers who offer the Streamlined Modification to Borrowers prior to July 1, 2013 and prior to Workout Prospector becoming available must generate the terms of the Trial Period Plan using their own proprietary systems or third-party systems.

Servicers are reminded that they must report the Streamlined Modification Trial Period Plan to Freddie Mac via Electronic Default Reporting (EDR) as described in Section B65.21, *Other Conditions and Requirements*.

## WORKOUT PROSPECTOR

In Bulletin 2013-5, we indicated that we would communicate in a future Bulletin the date Workout Prospector will be available to process the terms of the Streamlined Modification. We are advising Servicers that Workout Prospector will be available **July 15, 2013**. Once Workout Prospector becomes available, Servicers must:

- Enter the data into Workout Prospector for all Streamlined Modification Trial Period Plans offered prior to July 15, 2013; and
- Use Workout Prospector for all Mortgages for which Borrowers are being evaluated for a Streamlined Modification Trial Period Plan in accordance with Section B65.18, *Determining the Terms of a Freddie Mac Standard Modification*

Servicers may use their own proprietary system or third-party system to generate the terms of the Trial Period Plan; however, the Freddie Mac data must be entered in its entirety into Workout Prospector in accordance with Section B65.18.

## CHANGES TO PROPERTY VALUATION REQUIREMENTS

We are eliminating the requirement that a Broker's Price Opinion (BPO) with an interior inspection be obtained in connection with the modification of a Mortgage secured by a Manufactured Home or 2- to 4-unit property. Effective with new evaluations on or after the date of this Bulletin, the Servicer must order a BPO with an exterior inspection through BPOdirect® when evaluating such Mortgages for modification. However, Servicers are reminded that if the Mortgage is covered by mortgage insurance, the Servicer must ensure that the property value it obtains is based on a property valuation type that is consistent with the MI's requirements.

Sections 65.38, *When to Obtain a Property Value*, 65.39, *Obtaining a Property Value*, B65.16, *Property Valuation Requirements*, and C65.6, *Underwriting the Borrower,* have been updated to reflect this change.

BPOdirect will be updated in the near future to reflect these changes. Until BPOdirect is updated, Servicers must request a BPO with an exterior inspection for modifications of Mortgages secured by Manufactured Homes, 2- to 4-unit properties, dwellings on leasehold estates, and, if eligible under a Seller's negotiated Purchase Documents, Cooperative Share Mortgages by selecting "Loan Modification (single family and condo)."

In addition, we are eliminating the requirement in Section A65.24, *Long-Term Forbearance Requirements,* that the Servicer must obtain a property valuation when evaluating a Borrower for a long-term forbearance plan.

## 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: 2013-8**

**TO**: Freddie Mac Sellers and Servicers May 15, 2013

## SUBJECTS

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

- Introducing Seller/Servicer activity thresholds and a low activity fee
- Updating the Guide to require Seller/Servicers to comply with the deadlines specified by Freddie Mac when we request cooperation in a fraud investigation
- Making minor revisions to Guide Section 2.24, *Freddie Mac Exclusionary List*
- Reminding Seller/Servicers of the addition of National Mortgage Insurance Corporation (NMI) as a new Freddie Mac-approved MI
- Notifying Sellers and reminding Servicers that Seller/Servicers must direct MIs providing coverage on Mortgages sold to and/or serviced for Freddie Mac to release data to Freddie Mac at Freddie Mac's request and informing Seller/Servicers of the two MIs in which completion of Guide Form 1207, *Freddie Mac Mortgage Insurance Information Disclosure Agreement*, is not required
- Updating Guide Exhibit 5, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, to reflect revisions made to our Uniform Instruments web page
- Making certain document custody-related updates

In addition, we are making the following updates and revisions to our **selling** requirements:

- Updating the Guide to reflect the extension of the expiration date of the Freddie Mac Relief Refinance Mortgage℠ – Same Servicer and Relief Refinance Mortgage – Open Access offerings
- Updating and revising our requirements for Living Trusts (inter vivos revocable trusts) and announcing that Mortgages secured by properties in which the legal and equitable title is held by a land trust will no longer be eligible for purchase under the Guide; instead, Sellers must have a negotiated term of business to sell these Mortgages to us
- Allowing super conforming Condominium Unit Mortgages to be eligible for streamlined reviews
- Prohibiting Sellers that have Guarantor Master Commitments from taking out fixed-rate Cash Contracts for the sale of super conforming Mortgages
- Updating the Guide to reflect the Freddie Mac proprietary property valuation messaging from Home Value Explorer® (HVE®) within the Freddie Mac tab of the Uniform Collateral Data Portal® (UCDP®)
- Updating the Guide to include clarifying delivery information on certain Uniform Loan Delivery Dataset (ULDD) Data Points
- Notifying Sellers of updates made to Forms 16SF, *Annual Eligibility Certification Report*, and 1107SF, *Seller/Servicer Change Notification*
- Updating Exhibit 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*

## EFFECTIVE DATE

The changes announced in this Bulletin are effective immediately unless otherwise noted.

## SELLER/SERVICER REQUIREMENTS

### Seller/Servicer activity thresholds and low activity fee

Beginning **January 1, 2014**, a Seller/Servicer that does not meet certain activity thresholds for the prior calendar year will be assessed a low activity fee of $7,500, due and payable in accordance with the requirements of Section 17.2, *Provisions for the Payment of Fees and Proceeds and Application of Delivery Fee Credits*. The low activity fee will support our risk management efforts and offset the costs incurred to maintain Seller/Servicers, and monitor their continuing compliance with our eligibility requirements.

To avoid being assessed the low activity fee, Seller/Servicers must meet at least one of the following activity thresholds:

- Sell Mortgages to Freddie Mac with an aggregate unpaid principal balance (UPB) greater than $5 million during the immediately preceding calendar year, or
- Service, or be a Servicing Agent for, Mortgages for Freddie Mac with an aggregate UPB of at least $25 million as of December 31 of the immediately preceding calendar year

Newly approved Seller/Servicers will be subject to these activity thresholds beginning with their first full calendar year. For example, a Seller/Servicer approved May 15, 2013 would be exempt from the low activity fee in 2013 (to be billed in early 2014), but must meet an activity threshold for calendar year 2014 or be assessed the fee in early 2015.

We have added new Section 4.3.1, *Activity Thresholds and Low Activity Fee*, to reflect this new requirement.

### Fraud prevention, control and reporting

**Effective July 1, 2013**

In order to expedite the review and resolution of Freddie Mac fraud investigations, we have revised Sections 7.4, and 57.4, both titled "*Cooperation Requirements*," to require Seller/Servicers to comply with the deadlines specified by Freddie Mac for providing information, documentation, records, access to individuals or any other requested cooperation.

### Freddie Mac Exclusionary List

We are updating Section 2.24 to conform with guidance from our regulator, the Federal Housing Finance Agency (FHFA), as well as to provide additional examples of actions which may lead to placement on the Exclusionary List.

### Addition of National Mortgage Insurance Corporation (NMI) as an approved mortgage insurance provider

As announced in our Single-Family Update e-mail dated March 25, 2013, Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, has been updated to include NMI as a new Freddie Mac-approved MI, effective for Mortgages delivered to Freddie Mac on or after April 1, 2013.

### Seller/Servicer and mortgage insurance company information disclosure requirements

**Effective July 31, 2013**

As announced in Bulletin 2013-6, Freddie Mac, at times, may need to verify directly with MIs the presence and nature of mortgage insurance coverage on Mortgages sold to and serviced for Freddie Mac. In order to expedite this verification process and facilitate the completion of other day-to-day activities, Freddie Mac has updated the Guide to require that its Seller/Servicers direct MIs in writing to release data to Freddie Mac at Freddie Mac's request. Seller/Servicers must instruct each MI that currently provides, or that in the future may provide, coverage on Mortgages it sold to and/or services for Freddie Mac to comply with any Freddie Mac request for information, data and materials relating to Freddie Mac Mortgages.

To comply with this requirement, a Seller/Servicer must provide written instructions to each applicable MI using Form 1207. Seller/Servicers must deliver a fully executed copy of the information disclosure agreement for each applicable MI to Freddie Mac at **MI_Questions@FreddieMac.com** by **July 31, 2013** or before the MI begins providing insurance covering Mortgages, whichever is later.

Seller/Servicers should implement the new form and disclosure requirements as soon as possible in order to ensure that the fully executed Form 1207 for each applicable MI is delivered to Freddie Mac by July 31, 2013.

Section 61.9, *Requirement to Direct MI Disclosure of Mortgage Information to Freddie Mac*, has been added to reflect this requirement.

With this Bulletin, we are informing Seller/Servicers that given provisions in the respective master policies of insurance of Essent Guaranty, Inc. and NMI, execution of Form 1207 is not required for Mortgages insured or to be insured by those companies.

### Updates to Exhibit 5

We have updated the authorized changes in Exhibit 5 to reflect revisions previously posted on our Uniform Instrument web page on FreddieMac.com at **http://www.freddiemac.com/uniform**. These changes include a mandatory change to our Notes and Security Instruments to comply with the requirements of the Truth in Lending Act and Regulation Z (12 C.F.R. § 1026.36(g)). This change must be implemented no later than **January 10, 2014**.

### Document custody-related updates

The Document Custody Procedures Handbook has been revised to reflect previously announced revisions and updates pertaining to our document custody procedures. In addition, we have updated Directory 9 with new contact information for Mortgage Purchase Operations and have eliminated references to sections of the Guide that have been removed or no longer pertain to document custodial activities.

## SELLER REQUIREMENTS

### Relief Refinance Mortgages

In our Single-Family Update e-mail dated April 12, 2013, we notified Sellers that FHFA has directed Freddie Mac and Fannie Mae to extend the Home Affordable Refinance Program (HARP) by two years to December 31, 2015.

As a result, we are updating the Guide to reflect the extension of the expiration date of the Freddie Mac Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access offerings, which were previously set to expire for Freddie Mac Relief Refinance Mortgages with Application Received Dates on or before December 31, 2013. Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access must have Application Received Dates on or before December 31, 2015 and Settlement Dates on or before September 30, 2016.

Sections A24.1, B24.1 and C24.1, all titled *Overview*, have been updated to reflect these changes.

## Living Trusts and land trusts

### *Living Trusts (inter vivos revocable trusts)*

**Effective for Mortgages with Note Dates on or after September 1, 2013**

As a result of an ongoing review of our requirements, and in response to questions and comments we have received from Sellers, we are updating and revising our requirements for Living Trusts (inter vivos revocable trusts). The addition of definitions and more specificity, including with respect to refinance transactions, will provide supplemental guidance for Sellers. The expansion of occupancy types and the acceptance of additional forms that meet our signature requirements will afford Sellers further flexibility.

The revisions include:

- Adding definitions to the Glossary ("Living Trust," "Settlor" and "Underwritten Settlor") and defining the characteristics of a Living Trust (inter vivos revocable trust) that is an eligible Borrower in Section 22.10(a), *Living Trusts*
- Specifying that at least one, rather than all, of the Settlors must be underwritten and qualified
- No longer restricting the Mortgaged Premises to a Primary Residence or second home
- Providing more specificity in our requirements concerning vesting of title in the trustees and the title insurance policy provisions
- Modifying our signature requirements in Section 22.10, *Living Trusts and Land Trusts*, and Exhibit 9, *Signature and Acknowledgement Forms for Living Trusts*, to accept a signature addendum to the Note for trustee signature if/when there is not enough space on the Note for these signatures, and a revocable trust rider to the Security Instrument as an alternate form of the Settlor's acknowledgment form that we currently require on the Security Instrument
- Revising the ULDD Data Point provisions relating to Living Trusts (inter vivos revocable trusts) in Chapter 17, *Mortgage Delivery Instructions*, to correspond to these changes and clarify that while the Seller must identify the Living Trust as a non-individual Borrower, when delivering information about the Borrower, the Seller must deliver the personal information of the individual(s) creating the trust and underwritten for the loan (the Underwritten Settlor(s))

**Refinance transactions**

We have updated Chapters 24, *Refinance Mortgages*, A24, *Freddie Mac Relief Refinance Mortgages℠ – Same Servicer*, B24, *Freddie Mac Relief Refinance Mortgages℠ – Open Access*, and C24, *Freddie Mac Relief Refinance Mortgages℠ – Same Servicer with LTV Ratios Less than or Equal to 80%*, to clarify our refinance requirements to provide that a trust that is a Borrower on a Mortgage being refinanced must be an inter vivos revocable trust at the time of the refinance transaction.

**Early implementation of signature requirements**

For Mortgages with Note Dates on or after May 15, 2013, Freddie Mac will accept loan documents executed in accordance with the requirements that will be applicable to Mortgages with Note Dates on or after September 1, 2013.

**Updates to the Document Custody Procedures Handbook**

The Document Custody Procedures Handbook has been updated to reflect the revisions and updates made to our Living Trust requirements.

### *Land trusts*

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

Freddie Mac will no longer purchase Mortgages secured by properties in which the legal and equitable title is held by a land trust (Land Trust Mortgages) unless a Seller's Purchase Documents contain a term of business making such Mortgages eligible for purchase. Section 22.10(b), *Land Trusts*, has been updated to reflect this change.

### *Notice of changes to negotiated terms for Living Trusts and land trusts*

Freddie Mac will work with Sellers that have negotiated terms of business for the purchase of Mortgages to Living Trusts to affect any necessary contract changes if and to the extent such changes are necessary.

Sellers with existing negotiated terms of business for the purchase of Land Trust Mortgages will receive a revised term of business for the purchase of such Mortgages prior to September 1, 2013. This revised term of business will be effective for Land Trust Mortgages with Settlement Dates on or after September 1, 2013.

Sellers who currently do not have a negotiated term of business for the purchase of Land Trust Mortgages may request this term of business by contacting their account representative or 800-FREDDIE.

## Condominium Project review and eligibility

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

Based on Seller feedback, we are revising our requirements to allow super conforming Condominium Unit Mortgages to be eligible for streamlined reviews.

We have updated Sections L33.6, *Special Appraisal and Collateral Requirements*, and 42.4, *Streamlined Reviews*, to reflect these revisions.

## Delivery requirements for super conforming Mortgages

### Effective June 1, 2013

Currently, the Guide provides limits on the amount of super conforming Mortgages each Seller may deliver under fixed-rate Cash Contracts each month. Often, Sellers with Guarantor Master Commitments deliver fixed-rate super conforming Mortgages for Cash rather than delivering them under the Guarantor or MultiLender Swap programs.

Effective June 1, 2013, Sellers that have Guarantor Master Commitments may not take out fixed-rate Cash Contracts for the sale of super conforming Mortgages.

Section 17.39, *Super Conforming Mortgages*, has been updated to reflect this change.

## Home Value Explorer® (HVE®) messaging within the Uniform Collateral Data Portal® (UCDP®)

### Effective June 22, 2013

As announced in our Single-Family Update email dated April 16, 2013, to assist Sellers in evaluating the quality of appraisals submitted to the UCDP, Freddie Mac will include proprietary property valuation messaging from HVE within the Freddie Mac tab of the UCDP, beginning on June 22, 2013. The HVE property valuation messaging will provide Sellers an early view into property valuation accuracy and collateral risk.

Section 44.20, *Appraisal Data and Delivery*, has been updated to reflect Freddie Mac's expectation that Sellers should be prepared to address these feedback messages as part of their appraisal report review and property underwriting process.

Sellers should review new Exhibit 36, *Home Value Explorer® (HVE®) within the Uniform Collateral Data Portal® (UCDP®)*, which provides the possible messages that can be obtained within the Freddie Mac tab of the UCDP.

## ULDD updates

On March 26, 2013, to address customer feedback and remind Sellers of the importance of data quality, we issued a Single-Family Update e-mail and published addenda to **Appendix A, *Freddie Mac XML Data Requirements V.3.1.0*,** and **Appendix D, *Freddie Mac XML Data Requirements Reference Tool V3.1.0*,** of the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD"). Tab 9 of the appendices, "ULDDS Addendum Issued 3-26-13," provides clarifying information on certain ULDD Data Points; those incorporated into the Guide with this Bulletin are identified in the *Data Point Revision Effective Date* column of the addendum as effective in "2013."

We have incorporated substantive delivery clarifications into Sections 17.7, *Loan Data Required for All Mortgages*, 17.11, *Property Data Required for All Mortgages*, 17.12, *Data Required for All Borrowers*, and 17.26, *Mortgage Insurance Requirements*.

Some other clarifications, though they lend additional guidance important for understanding of the ULDD Data Points, have not been incorporated into the Guide, and Sellers should refer to Tab 9 to review those changes.

As announced in the March 26th Single-Family Update e-mail, to address future changes or clarifications to the Freddie Mac IG-LD, we will issue quarterly updates, as necessary, and will notify Sellers of those updates. Sellers can find the most recently updated Freddie Mac IG-LD under the "Technical Resources" tab on the ULDD web page of our web site at **http://www.freddiemac.com/sell/secmktg/uniform_delivery.html**. Sellers should look for updated or new tabs in the appendices and review the details noted in the "Revision History" section for a complete listing of the changes and clarifications.

### Updates to Forms 16SF and 1107SF

As announced in Bulletin 2013-6, we have updated Forms 16SF and 1107SF to:

- Include two additional diversity categories relating to Seller/Servicer ownership information that Freddie Mac will collect going forward
- Revise the definitions of "Minority-Owned Business Enterprise" and "Women-Owned Business Enterprise" and add a new definition of "Disabled-Owned Business Enterprise," to align with the revisions made with Bulletin 2012-23

### Updates to Exhibit 25

We have updated Exhibit 25 to include the removal of the requirement that nonassumable Rural Housing Service (RHS) Section 502 GRH Mortgages have a minimum Indicator Score of 620, as announced in Bulletin 2012-4, and to remove reference to Alt 97® Mortgages, since, as announced in Bulletin 2012-8, the offering was retired effective August 1, 2012.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 4, 7, 17, 22, 24, A24, B24, C24, L33, 42, 44, 57 and 61
- Exhibits 5, 9, 25, and 36
- Glossary
- Directory

## 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: 2013-9**

**TO**: Freddie Mac Servicers May 28, 2013

## SUBJECT: EXTENSION OF MANDATORY ADOPTION DATE FOR CERTAIN SERVICER LAW FIRM SELECTION AND RETENTION REQUIREMENTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing an extension to **August 1, 2013** for the mandatory adoption date of several requirements introduced with Bulletin 2012-25 related to law firms retained by Servicers to handle Freddie Mac Default Legal Matters. This extension will provide Servicers with more time to comply with these requirements.

## SERVICER SELECTION, RETENTION AND MANAGEMENT OF LAW FIRMS FOR FREDDIE MAC DEFAULT LEGAL MATTERS

With Bulletin 2012-25, we announced new requirements for a Servicer's selection and engagement of law firms for Freddie Mac Default Legal Matters and introduced new Guide Chapter 69, *Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters*, effective June 1, 2013.

With this Bulletin we are announcing an extension for mandatory adoption of the requirements in Guide Sections 69.1, *Overview,* through 69.9, *Servicer Use of Connectivity and Invoice Processing System*, as well as Section 69.15, *Reservation of Rights and Remedies for Non-Compliance*, until **August 1, 2013**. These sections relate to selection and retention of firms, firm minimum requirements, training and contracting, referral of default-related legal matters, prohibitions, and Servicer use of connectivity and invoice processing systems.

The extension for the mandatory adoption of the requirements referenced above does not include an extension of the designated counsel program beyond May 31, 2013.

Servicers that have already selected counsel that are eligible to receive referrals under the requirements of Section 69.7, *Referral of Freddie Mac Default Legal Matters to Firm*, may send referrals of Freddie Mac Default Legal Matters to those firms beginning June 1, 2013. For such referrals, Servicers should follow the requirements set forth in Chapter 69, including managing and monitoring firm performance and compliance with the Guide and the limited retention agreement.

During the period from June 1, 2013 through July 31, 2013, Servicers may also refer Freddie Mac Default Legal Matters to law firms pursuant to the new requirements of Chapter A69, now retitled *Retention of Counsel for Freddie Mac Default Legal Matters Referred Prior to August 1, 2013*.

Additionally, we have revised the requirements in Chapter A69 to reflect that, as announced in Bulletin 2012-25, effective June 1, 2013, we no longer allow referrals directly to a trustee.

The mandatory adoption date of **June 1, 2013** will remain in effect for the requirements in Sections 69.10, *Reporting,* through 69.14, *Implementing the Termination and Suspension of Firms,* on all referrals on or after June 1, 2013. These sections deal with Servicer monitoring and management, escalations and reporting, and firm termination and suspension. In the event that the referral was made under the requirements of Chapter A69, Sections 69.10 through 69.14 remain mandatory except with respect to requirements for compliance with Sections 69.1 through 69.9, Section 69.15 and a limited retention agreement.

## SUBMISSION OF SERVICER SELECTION FORMS

Servicers must submit Servicer Selection Forms through the Servicer Attorney Tracking System (SATS) no later than **June 15, 2013** in order for all other requirements for law firm eligibility to be met by August 1, 2013.

## REMINDERS TO SERVICERS

### Referring loans to foreclosure counsel

The extension of the mandatory adoption date for the new requirements related to law firm selection and retention does not impact a Servicer's obligation to initiate foreclosure as required by the Guide. Servicers are reminded that the requirements in Section 66.9.1, *When to Initiate Foreclosure on a First-Lien or a Second Mortgage/Home Improvement Loan (HIL),* remain in effect.

### Foreclosure sale bidding requirements

The foreclosure sale bidding requirements announced in Bulletin 2013-6 remain in effect for all foreclosure sales occurring on or after June 1, 2013.

### Attorney fee reimbursement limits

Servicers are reminded that the attorney fee reimbursement limits announced in Bulletin 2013-6 remain in effect for all reimbursement claims submitted on or after June 1, 2013.

### Servicer training

As a reminder, training for Servicers is available on selection, retention and management of law firms for Freddie Mac Default Legal Matters. Please visit the Learning Center and register for *Servicer Selection and Management of Law Firms* training at http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=SAI_SSMLF.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact Chapters 53, 54, 66, 67, 69 and A69.

## 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
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# Bulletin

**NUMBER: 2013-10**

**TO**: Freddie Mac Servicers June 14, 2013

## SUBJECTS

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

## HURRICANE SANDY

- Announcing the *Hurricane Sandy Exterior Property Inspection Reimbursement Template*, which must be submitted to Freddie Mac by **September 16, 2013** for reimbursement of property inspections

## FORECLOSURE AND ALTERNATIVES TO FORECLOSURE

- Setting forth the parameters under which Servicers may utilize bulk trial foreclosures as an alternative foreclosure process for foreclosure actions in Florida
- Updating our requirements for requests related to the preservation of deficiency rights
- Revising our FICO® score seasoning requirements for Freddie Mac Standard Short Sales ("short sales") and Deeds-in-Lieu of Foreclosure (DIL)
- Revising our property inspection and closing requirements for DILs
- Adding a Multiple Listing Service (MLS) requirement for short sales
- Removing, in most instances, the requirement that the Servicer obtain a copy of the Borrower's tax transcript or the Borrower's most recent signed federal income tax return to be evaluated for the Home Affordable Modification Program (HAMP®)
- Updating the Guide with respect to repurchases of Mortgages to require Servicers to cancel related records of HAMP modifications or HAMP Trial Period Plans in the HAMP Reporting Tool
- Revising our State Housing Finance Agency (HFA) unemployment assistance program requirements developed in connection with the Treasury's Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund ("HHF") initiative

## ADDITIONAL SERVICING CHANGES

- Announcing the retirement of Investor Accounting Manager℠ (IAM), effective September 16, 2013
- Retiring the hard copy Guide Form 1092, *Broker's Price Opinion*, and revising the marketing time frame used in the Broker's Price Opinion (BPO) provided to Servicers via BPOdirect®
- Specifying that Freddie Mac does not reimburse for credit reports obtained in Servicing activities
- Requiring Servicers to notify Freddie Mac's Compliance Division within 24 hours of blocking or rejecting a Mortgage or Mortgage transaction based on a valid match to the Office of Foreign Assets Control's (OFAC) list of Specially Designated Nationals and Blocked Persons ("OFAC SDN List")

Servicers should review the "Additional Servicing Changes" section of this Bulletin in its entirety for these and other requirement revisions and updates.

## EFFECTIVE DATE

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

## REIMBURSEMENT OF PROPERTY INSPECTIONS FOR PROPERTIES LOCATED IN AN ELIGIBLE DISASTER AREA AS A RESULT OF HURRICANE SANDY

In Bulletin 2012-29, Freddie Mac stated that in a future Bulletin we would provide the method for requesting reimbursement of required property inspections for Mortgaged Premises located in an eligible Disaster Area, as defined in Bulletin 2012-29, as a result of Hurricane Sandy.

With this Bulletin, we are announcing the method for requesting reimbursement of those property inspections.

### Reimbursement of exterior property inspections

Freddie Mac previously advised that it would reimburse the Servicer up to $10 for one exterior property inspection related to the disaster for Mortgaged Premises that: (i) are located in an eligible Disaster Area, and (ii) secure Mortgages that were reported as current in the reporting cycle immediately prior to the area being declared an eligible Disaster Area.

If a Servicer completed exterior property inspections for Mortgaged Premises securing Mortgages that were reported as current prior to the disaster per the requirements of Bulletin 2012-29, to receive reimbursement for those property inspections, the Servicer must submit a single completed *Hurricane Sandy Exterior Property Inspection Reimbursement Template* ("Template") to Freddie Mac at **Overallowables@freddiemac.com**. The Template is located under "Resources" on our "Disaster Relief Policies" web page at **http://www.freddiemac.com/singlefamily/service/disastermgmt.html**. The Template contains instructions on how to complete it.

The Servicer must submit only one Template that includes all Mortgages for which the Servicer requests reimbursement. Completed Templates must be submitted to Freddie Mac by **September 16, 2013**. Completed Templates received after this date or multiple Templates received will not be processed and the requests for reimbursement will be denied. Within four weeks of Freddie Mac's receipt of the completed Template, the Servicer should receive notification of the expected amount of reimbursement it will receive and the expected payment date of the reimbursement amount.

### Reimbursement of interior property inspections

Freddie Mac previously advised Servicers that an interior property inspection must be completed in lieu of the regularly scheduled exterior property inspection if the Mortgaged Premises: (i) is located in an eligible Disaster Area, and (ii) was identified as abandoned as of, or prior to the date that the area was declared an eligible Disaster Area.

If a Servicer completed an interior property inspection per the requirements in Bulletin 2012-29, then the Servicer must submit the request for reimbursement of the property inspection in its final claim submission in accordance with Guide Section 71.13, *Claim Submission Types and Time Frames*.

Servicers must not submit these interior property inspection expense reimbursement requests in the Template. The Template is to be used only to request reimbursement of exterior property inspections.

## FORECLOSURE

### Bulk trial foreclosures in Florida

Servicers may utilize bulk trial foreclosures as an alternative foreclosure process to accelerate foreclosure actions in Florida. This option can be used for Freddie Mac Default Legal Matters that were:

- Referred to law firms on or after **June 1, 2013** or
- Referred to law firms before June 1, 2013 and for which the foreclosure complaint has been filed, but the motion for final judgment has not been filed or final judgment of foreclosure has not yet been entered

Servicers and their counsel must use their discretion to determine whether the bulk trial method is appropriate for the jurisdiction and the Mortgaged Premises that is the subject of the foreclosure.

Servicers are reminded that foreclosure time line requirements set forth in Guide Section 66.30, *State Foreclosure Time Lines*, will not be waived as a result of such utilization, and remain in effect.

***Selection of foreclosure counsel***

For Freddie Mac Default Legal Matters referred to law firms on or after **August 1, 2013**, Servicers must use law firms selected and engaged under the requirements in Guide Chapter 69, *Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters*. For Freddie Mac Default Legal Matters referred to law firms prior to August 1, 2013, Servicers may continue to use the engaged foreclosure counsel. However, Servicers may at their own expense elect to transfer foreclosure cases from law firms engaged prior to August 1, 2013 to law firms selected and retained under the requirements set forth in Chapter 69 to complete the bulk trial method, and complete the foreclosure case, provided that:

- Servicers provide Freddie Mac with at least 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; and
- Whether prorated between the transferor and transferee firms, the foreclosure attorney fee may not exceed the limits set forth in Guide Exhibit 57A, *Approved Attorney Fees and Title Expenses*

***Reimbursement of expenses***

Pursuant to Section 71.19, *Reimbursement of Fees and Costs Incurred During Legal Proceedings*, Freddie Mac will reimburse Servicers for approved attorney fees as set forth in Exhibit 57A. Servicers will be reimbursed for104SF claims submitted through the Reimbursement System for additional attorney fees associated with the use of the bulk trial foreclosure process up to a maximum of $1,750. This is the maximum legal fee for all work necessary to complete the bulk trial process, including, but not limited to:

- Identification of bulk trial candidates
- Pre-trial preparation and correspondence
- Preparation of trial orders
- Witness preparation
- All necessary court appearances

This fee is in addition to the foreclosure attorney fee. Servicers must use expense code 010009 (Pre-Trial Preparation Attorney Fee) when submitting a claim request in the Reimbursement System for the additional trial fees associated with bulk trial foreclosures. Legal expenses paid by the Servicer must match or exceed the reimbursement request.

Exhibit 57A and Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*, have been updated to reflect these changes.

### Preservation of deficiency rights

We have updated Section 66.50, *Special Circumstances Requiring Freddie Mac's Approval*, to facilitate Servicers' requests for Freddie Mac's approval for matters related to the preservation of deficiency rights when the request does not include additional expenses.

Additionally, we announced in Bulletin 2013-3 that Servicers will need to refer to Section 66.48, *Circumstances Where Preserving Deficiency Rights Requires Additional Expense*, for instructions on how to request additional attorney fees to preserve Freddie Mac's right to pursue deficiency actions. Servicers should temporarily submit such requests using expense code 010000 (Attorney Fees (Judicial)). In the future, we will announce a permanent new expense code to submit these requests.

## SHORT SALES AND DILs

### FICO score seasoning requirements

The Borrower must submit a complete Borrower Response Package to be considered for a short sale or DIL. However, if a Borrower is 90 days or more delinquent and has a FICO score of less than 620, the Servicer is not required to obtain a Borrower Response Package to evaluate the Borrower for a short sale or DIL. We currently require the Borrower's FICO score be no more than 90 days old as of the date of the Servicer evaluation. We are making the following FICO score seasoning changes to simplify the Borrower documentation requirements in the following circumstances:

- When a Borrower is eligible for an exception to documentation requirements for a short sale and has yet to receive a purchase offer, the Servicer may use the same FICO score obtained for the Servicer's initial evaluation of the Borrower to evaluate a purchase offer when it is received, even if that FICO score has become more than 90 days old. This change is effective for short sale purchase offers that are received on or after **July 1, 2013**. However, a Borrower who has since brought the Mortgage current is no longer eligible for an exception to Borrower documentation requirements and must submit a complete Borrower Response Package to the Servicer to be evaluated for the short sale.
- Additionally, if the Borrower was not required to provide a Borrower Response Package in connection with a short sale evaluation based upon his or her Delinquency status and FICO score, then the Servicer may utilize the same FICO score obtained for the short sale evaluation when determining the Borrower's eligibility for an exception to Borrower documentation requirements for a DIL. The same FICO score used for the short sale evaluation may also be used for the DIL evaluation, even if the FICO score is more than 90 days old at the time of the DIL evaluation. This change is effective for DILs evaluated on or after **July 1, 2013**. However, a Borrower who has brought the Mortgage current since the short sale evaluation is no longer eligible for an exception to Borrower documentation requirements and must submit a complete Borrower Response Package to the Servicer to be evaluated for a DIL.

Sections B65.37 and B65.44, both titled *Borrower Documentation*, have been revised to reflect these changes.

### Final property inspections and closing requirements for DILs

#### *Final property inspections*

We have revised Section B65.45, *Property Valuation and Property Inspection Requirements*, to require Servicers to conduct an interior property inspection no more than two Business Days following receipt of the executed deed and all related documents. This change will allow Servicers more time to conduct the inspection while ensuring the inspection occurs before the Mortgaged Premises enters Freddie Mac's Real Estate Owned (REO) inventory.

As a condition of an approved DIL, the Servicer must verify that the Borrower left the Mortgaged Premises in a vacant, undamaged, clean, broom-swept condition with no debris or personal property left on site. If the final property inspection indicates that the Mortgaged Premises does not meet these property condition requirements and the Borrower is eligible to receive relocation assistance, the Servicer must deduct from the relocation assistance the estimated cost, or if known, the actual cost of repairing and cleaning the Mortgaged Premises.

Servicers must implement this change no later than **September 1, 2013**, but may implement sooner if they are operationally ready to do so.

#### *Closing requirements*

We have revised Section B65.48, *Closing, Reporting and Remittance Requirements*, to require that the Servicer verify that the Mortgaged Premises is undamaged, free of exterior and interior debris and in broom-swept condition at the time of possession.

### MLS requirement for short sales

To expose short sale opportunities to a larger number of prospective buyers and to obtain the best price, we are requiring that the property must have been listed for sale with a licensed real estate broker who in turn must have listed the Mortgage Premises on the MLS covering the local market for at least five consecutive days, which must include one weekend. The listing must be in an "active" status for at least the five days immediately preceding the day on which the purchase offer is accepted by the Borrower and submitted to the Servicer for approval. In the event the Mortgaged Premises is located in an area not covered by an MLS, the Mortgaged Premises must be advertised for sale by the real estate broker in a manner customary for that market for at least five consecutive days, which must include one weekend. The Servicer must retain in the Mortgage file a copy of the MLS listing of the Mortgaged Premises or documentation of the advertisement(s). The Servicer may not approve a short sale until the Borrower has fulfilled this requirement.

This change should help mitigate the potential for short sale fraud and prevent non-arm's length transactions. This additional short sale eligibility requirement is effective for all new evaluations of short sale purchase offers occurring on or after **July 1, 2013**.

Section B65.36, *Short Sale Eligibility Requirements and Servicer Approval Authority*, has been revised to reflect this change.

## HAMP

### Income documentation requirements

We are eliminating the requirement that, for most Borrowers being evaluated for HAMP, the Servicer submit Form 4506T-EZ or 4506-T to the Internal Revenue Service (IRS) if the Borrower has not provided his or her signed federal income tax return. However, the Servicer must continue to process Form 4506T-EZ or Form 4506-T, as applicable, in the following instances:

- To reconcile inconsistencies between other information the Borrower provided (e.g., information the Borrower provided in Form 710, *Uniform Borrower Assistance Form*) and the income documentation
- The Borrower has income that is required to be documented by the Borrower's most recent federal income tax return but the Borrower has not provided his or her signed federal income tax return, complete with all schedules and forms (i.e., Borrowers who are self-employed, earn rental income or file returns on a fiscal year)
- As otherwise required by Freddie Mac

Sections 65.18, *Borrower Income Documentation,* and C65.5.1, *Verification of Eligibility,* have been updated to reflect this change.

### Repurchases

In November 2012, the Program Administrator released **Supplemental Directive 12-09**, which provided Servicers with guidance regarding mortgages that are repurchased from the Government Sponsored Enterprises (GSEs) while in a Trial Period Plan or after being permanently modified under HAMP.

We are updating the Guide with respect to any Mortgage that has been repurchased to require Servicers to cancel the related record of the HAMP modification or HAMP Trial Period Plan in the HAMP Reporting Tool. When cancelling records of repurchased Mortgages in the HAMP Reporting Tool, Servicers must comply with the Program Administrator's instructions, including those set forth in **Supplemental Directive 12-09**.

Sections C65.8, *Other General Requirements*, and C65.11, *HAMP Activity Reporting Requirements*, have been updated to reflect this guidance.

## HHF

We currently require the Servicer to re-evaluate the Borrower for an alternative to foreclosure 30 days following notification of the Borrower's re-employment or 30 days prior to the expiration of the period of assistance, whichever is earlier. However, inconsistent periods of unemployment assistance make it difficult for the Servicer to determine when to begin evaluating the Borrower for another alternative to foreclosure.

With this Bulletin, we are revising our unemployment assistance program to eliminate the requirement that the Servicer re-evaluate the Borrower for a reinstatement or relief option 30 days prior to the expiration of the period of HFA assistance. Instead, upon notification of expiration of the period of assistance, the Servicer must re-evaluate the Borrower for a reinstatement or relief option as provided in Chapter A65, *Reinstatements and Relief Options*, or a workout option in accordance with the evaluation hierarchy provided in Section 64.6(a).

Servicers may implement this change immediately, but are required to implement it no later than **September 1, 2013**.

## ADDITIONAL SERVICING CHANGES

### Retirement of IAM

Since we introduced the Freddie Mac Service Loans application in Bulletin 2011-1, we have enhanced the report features to improve the user experience. To provide one central source from which the user can now access all of their reporting needs, we are retiring IAM on **September 16, 2013** and migrating all reports that have previously only been available in IAM to the Service Loans application.

Effective **June 24, 2013**, Servicers will no longer be able to request user access to IAM and the reports listed below that were previously available only in IAM will be available in the Service Loans application:

- Current Cycle ARM Adjustments
- Loan Level Trial Balance
- Newly Funded Loans
- Newly Transferred In Loans
- Loan Modification
- ARM Notification
- Remittance Detail
- Create Your Own Report
- S/S Amount Due Drilldown
- S/S Amount Received Drilldown
- Negotiated Payoff Report

Adding these reports to the Service Loans application provides Servicers with the easy-to-navigate web-based interface that has enabled Servicers to more efficiently extract loan-level data, and research and correct data errors since 2011.

Current authorized users of the Service Loans application (i.e., those who have a User ID and password from Freddie Mac) are not impacted and will automatically have access to the reports that are being migrated from IAM to the Service Loans application.

To allow IAM users who do not currently use the Service Loans application to have access to the reports that are being migrated to the Service Loans application, Servicers must complete and submit the applicable Guide forms listed below to enroll such IAM users as a "Read Only Analyst" in the Service Loans application. This new user role enables users to retrieve, view and print reports only. 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*

If, as a result of the reports migrating from IAM to the Service Loans application, the Servicer determines that the previous IAM user requires greater access than that permitted for a "Read Only Analyst" (i.e., retrieve, view and print reports only) in the Service Loans application, the Servicer should select the appropriate designated user role and submit the applicable form to Freddie Mac.

Within five Business Days of receiving the correct completed form, we will e-mail User IDs for all new authorized users to the Customer Administrator designated as the Servicer's Service Loans application Primary Contact.

To facilitate a smooth transition, Servicers must submit the applicable form no later than **September 6, 2013**, to allow sufficient time to set up access to the Service Loans application prior to the retirement of IAM on September 16, 2013.

Servicers must review the terms and conditions for use of the Service Loans application in Chapter A50, *Special Requirements for Servicing Mortgages Using the Freddie Mac Service Loans Application*.

## BPO

### *Form 1092 retirement*

Effective immediately, we are retiring Form 1092 from the Guide as the information provided on this form is also located in BPOdirect.

### *BPO value estimations marketing time frame*

Currently, the BPO value that Freddie Mac provides to Servicers via BPOdirect includes value estimations that are representative of a 90-day, 120-day and 180-day marketing time frame.

BPOdirect will be updated on **August 17, 2013** to reflect a BPO value estimation that represents a 90-120 day marketing time frame, which reflects standard industry default valuation practices. As a result, effective **August 17, 2013**, Servicers must use the 90-120 day "as is" value when a BPO value is required for foreclosure sale bidding.

Section 66.43, *First Lien Mortgages Not Covered by Mortgage Insurance*, has been updated to reflect this change.

## Non-reimbursable expenses

We have updated Section 71.24, *Non-Reimbursable Expenses*, to specify that Freddie Mac does not reimburse for credit reports obtained in connection with Servicing activities because this is a standard operating cost for Servicers. Servicers may not include the expense of credit reports in requests for expense reimbursements of other reimbursable items.

### OFAC compliance

Effective **July 15, 2013**, we are revising Section 53.8, *Compliance with Applicable Law*, to require Servicers to notify Freddie Mac's Compliance Division within 24 hours of blocking or rejecting a Mortgage or Mortgage transaction based on a valid match to the OFAC SDN List. The change revises the current Servicer obligation to notify Freddie Mac's Compliance Division within 24 hours of filing a blocked property report with OFAC.

All Servicers are currently required to comply with OFAC regulatory requirements and should already have OFAC compliance controls in place. To help ensure compliance with this revision to Section 53.8, Servicers should inform their relevant compliance personnel of Freddie Mac's revised OFAC SDN List notification requirements.

### Post-settlement adjustment requests

Form 1205, renamed from *Charge-off Reconciliation* to *Post-Settlement Adjustment Request*, has been updated to include the data elements required for modifications related to post-settlement requests.

### Execution of documents

We have updated Sections 59.4, *Execution of Documents*, and 66.17, *Foreclosing in the Servicer's Name*, to specify that the ***Request for Assistance Form*** found on our "Execution of Legal Documents" web page is the correct form to submit with documents requesting Freddie Mac execution.

### Inspection reports for REO properties

We have updated Section 70.19, *Eviction Requirements,* to provide that rather than forward copies of the monthly inspection reports required for REO properties to Freddie Mac, the Servicer must maintain copies of the monthly inspection reports in the Mortgage file and provide them to Freddie Mac upon request.

### Living Trusts

Effective **September 1, 2013**, we are updating Volume 2 of the Guide to reflect the updates and revisions to our Living Trust requirements announced in Bulletin 2013-8.

## TRAINING

Servicers are encouraged to visit **Freddie Mac's Learning Center** web page for current information on Freddie Mac training programs and reference tools.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters A50, 53, 59, 64, 65, B65, C65, 66, 70, 71, 76, 77, 78, 80 and A83
- Forms 902, 902A, 902SA, 902ASA, 1092 and 1205
- Exhibits 57A, 74, 81 and 88
- Directory

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-10 (Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/sell/guide/spreadsheets.html**.

## 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: 2013-11**

**TO**: Freddie Mac Sellers June 24, 2013

## SUBJECT: AVAILABILITY OF LOAN QUALITY ADVISOR℠

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing that Loan Quality Advisor (LQA) is available to Sellers.

We are also making the following updates and revisions to our **selling** requirements, which will help support the use of LQA:

- Adding new Guide Exhibit 37, *Loan Quality Advisor℠ Agreement*, which provides the terms and conditions for the use of LQA
- Allowing Mortgages to be resubmitted to Loan Prospector® after the Note Date

## LOAN QUALITY ADVISOR

As announced in our Single-Family Update e-mail dated April 30, 2013, LQA is Freddie Mac's new web-based risk and eligibility assessment tool that provides an automated way to help identify possible Freddie Mac eligibility issues – both pre- and post-closing. LQA is part of our *Greater Purchase Certainty* initiative and adds to our suite of tools and resources that support Sellers throughout their loan manufacturing process.

Sellers should visit the LQA web page for additional information and can contact their Freddie Mac representative or (800) FREDDIE to learn more about signing up for and using LQA.

To receive notifications about the operation status of LQA and important news and information about our single-family business, Sellers should subscribe to the Single-Family Business News Subscription Center. For technology operation status, select the LQA category under the Technology System Alerts section to sign up.

## LOAN QUALITY ADVISOR AGREEMENT

**Effective immediately**

We are adding Guide Section 2.25 and Exhibit 37, both titled *Loan Quality Advisor℠ Agreement*, to the Guide. This agreement supersedes any other LQA terms of use document signed by a Seller. Each Seller that uses LQA, by virtue of such use, will be deemed to have agreed to the terms and conditions set forth in the exhibit.

## RESUBMISSION TO LOAN PROSPECTOR AFTER THE NOTE DATE

**Effective immediately**

The Guide is being updated to permit Sellers to resubmit Mortgages to Loan Prospector after the Note Date or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages. This will help Sellers meet requirements to submit true, complete and accurate data that matches the terms of the Mortgage that will be delivered to Freddie Mac.

Loan Prospector is an automated system that relies heavily on information from other sources, so accurate data and accurate data entry are critical. Since Loan Prospector assumes that the last information

submitted to Loan Prospector is the same as the information for the Mortgage delivered to Freddie Mac, the Seller should ensure that the information submitted to Loan Prospector before the Note Date, or the Effective Date of Permanent Financing, as applicable, is true, complete and accurate and matches the terms of the Mortgage to be delivered to Freddie Mac.

The Seller may determine after the Note Date or Effective Date of Permanent Financing, as applicable, through LQA or by other means, that the information entered into Loan Prospector was not true, complete, and accurate and does not match the terms of the Mortgage to be delivered to Freddie Mac. In these instances, unless otherwise prohibited or not required by Section 2.2.1, *Introduction to Loan Prospector®,* the Seller must resubmit the Mortgage to Loan Prospector after the Note Date or Effective Date of Permanent Financing, as applicable, but prior to the Delivery Date.

This change does not affect the current requirement that Mortgages must be **initially** submitted to Loan Prospector on or before the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing.

Detailed requirements for resubmitting a Mortgage to Loan Prospector after the Note Date or Effective Date of Permanent Financing, as applicable, are provided in Section 2.2.1. A Mortgage **cannot** be resubmitted to Loan Prospector after the Note Date, or the Effective Date of Permanent Financing, as applicable, if:

- The Note Date was more than 120 days prior to the resubmission; or
- Resubmission is after the "Loan Prospector Assessment Expiration Date" displayed on the Feedback Certificate; or
- A Borrower is being added or deleted, or a change is being made to a Borrower's last name or Social Security Number; or
- A new credit report company needs to be selected; or
- The single or joint merged credit report indicator changes; or
- The order of Borrowers changes on a joint merged credit request; or
- The merged credit report number does not match the merged credit report number from the most recent complete transaction

If the Mortgage cannot be resubmitted to Loan Prospector after the Note Date or the Effective Date of Permanent Financing, as applicable, the Mortgage must be manually underwritten and is considered a Non-Loan Prospector Mortgage.

Sections 2.2.1, 17.2, *Provisions for the Payment of Fees and Proceeds and Application of Delivery Fee Credits*, and 27.1, *Mortgage Insurance*, and the Glossary have been updated to reflect this change.

Applicable footnotes in Exhibit 19, *Postsettlement Delivery Fees*, will be removed with a future Bulletin as a result of this change.

**Delivery requirement for resubmissions to Loan Prospector after the Note Date**

The Seller must deliver "912" in the ULDD Data Point *Investor Feature Identifier* (Sort ID 368) to indicate the Mortgage was resubmitted to Loan Prospector after the Note Date. For Construction Conversion and Renovation Mortgages, the Seller must deliver "912" to indicate the Mortgage was resubmitted to Loan Prospector after the Effective Date of Permanent Financing.

Section 17.13, *Loan Prospector® Mortgage Underwriting Data Requirements*, has been updated to reflect this change.

## TRAINING

Sellers are encouraged to enroll in our new webinar, *Loan Quality Advisor℠: An Introduction and Overview,* available on Freddie Mac's Learning Center.

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

For other training resources, please visit the LQA Learning Center page.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 17 and 27
- Exhibit 37
- Glossary

## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE (press 1, then 3).

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

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# Bulletin

**NUMBER: 2013-12**

**TO**: Freddie Mac Sellers and Servicers June 25, 2013

## SUBJECT: REVISIONS TO SELLER/SERVICER ACTIVITY THRESHOLDS AND LOW ACTIVITY FEE

In *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2013-8, we introduced a low activity fee to be assessed annually beginning January 1, 2014 to Seller/Servicers not meeting certain activity thresholds for the prior calendar year.

We have reassessed our low activity fee requirements based on industry feedback and, with this Bulletin, are changing the low activity fee to a no-activity fee.

To avoid being assessed the $7,500 fee, Seller/Servicers must meet at least one of the following activity thresholds:

- Sell to Freddie Mac during the immediately preceding 36 months, or
- Service, or be a Servicing Agent for, a Mortgage portfolio for Freddie Mac as of December 31 of the immediately preceding calendar year

New Seller/Servicers are exempt from the fee until they have been approved by Freddie Mac for three years.

Guide Sections 4.1, *General*, and 4.3.1, *Activity Thresholds and No-Activity Fee*, have been updated 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.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

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# Industry Letter

**To**: Freddie Mac Sellers July 2, 2013

## SUBJECT: FREDDIE MAC'S NEW MORTGAGE ELIGIBILITY CRITERIA

On May 6, 2013, Freddie Mac issued an Industry Letter ("May 6 Industry Letter") notifying Sellers of our revised requirements as a result of the Consumer Financial Protection Bureau's (CFPB) final rule on ability to repay and qualified mortgages. The May 6 Industry Letter announced that Freddie Mac would not be permitted to purchase certain Mortgages as a result of a May 2, 2013 Federal Housing Finance Agency (FHFA) directive to Freddie Mac and Fannie Mae.

As stated in the May 6 Industry Letter, Mortgages with applications received on or after **January 10, 2014** must meet the following requirements to be eligible for sale to Freddie Mac:

- Mortgages must be fully amortizing (e.g., the Mortgages must not be interest-only or Mortgages with a potential for negative amortization)
- Mortgages must not have terms in excess of 30 years (e.g., no 40-year fixed-rate Mortgages)
- Mortgages must not have total points and fees in excess of 3% of the total loan amount (or such other applicable limits for low balance Mortgages as specified by the CFPB final rule)

Additionally, Freddie Mac will continue to purchase, under our product eligibility and underwriting requirements set forth in the *Single-Family Seller/Servicer Guide* ("Guide"), certain Mortgages that are exempt from the ability to repay requirements in the CFPB final rule.

While we have adopted the eligibility criteria listed above in support of the CFPB final rule, Freddie Mac will not be making the final determination of whether a Mortgage complies with the CFPB final rule or a Seller's designation of a Mortgage's status under the CFPB final rule.

Mortgages with application dates prior to January 10, 2014 will not be subject to the eligibility criteria above unless otherwise specified in the Guide; at this time, Freddie Mac does not intend to specify an end date by which these Mortgages must be delivered.

## NEW ULDD DATA POINTS

For a Mortgage with an application received on or after January 10, 2014, the Seller will be required to represent and warrant that the Mortgage complies with the applicable points and fees limitation.

We are currently assessing potential new delivery data points as part of future Uniform Loan Delivery Dataset (ULDD) data requirements that will help determine if Mortgages meet point and fee thresholds. Potential new ULDD Data Points will help in identifying exempt Mortgages, total loan amount, total points and fees, and annual percentage rate (APR). As with all ULDD data requirement updates, we will provide Sellers with sufficient lead time to update their systems and processes to comply with the new requirements.

## ADDITIONAL ANNOUNCEMENTS

Freddie Mac continues to work with FHFA to determine if additional updates to our underwriting, eligibility and/or pricing requirements should be made. We are working diligently to complete our assessment and anticipate providing:

- A Guide Bulletin in late August to provide updates on our eligibility requirements for Mortgages subject to the ability to repay rule and possible updates to our representation and warranty framework. Expected changes related to Mortgage eligibility include:
  - Removal of requirements related to Mortgages with 40-year terms
  - Revision of current requirements regarding permissible points and fees
  - Changes to eligibility of Mortgages with prepayment penalties
  - Any necessary changes to Freddie Mac Relief Refinance Mortgages℠
- Additional information by the end of September on:
  - Changes to quality control practices/documentation requirements
  - How Freddie Mac will test for Seller compliance with the three new Mortgage eligibility requirements
  - Enhancements to our data-gathering and validation tools to support our new requirements

## CONCLUSION

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

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

# Bulletin

**NUMBER: 2013-13**

**TO**: Freddie Mac Sellers July 18, 2013

## SUBJECTS

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

- Updating the cash adjustor value and applicability for Freddie Mac Relief Refinance Mortgages[SM], as well as the method for obtaining the value
- Revising our requirements for the evaluation of authorized user accounts
- Simplifying and updating our eligibility and review requirements for Condominium Projects
- Modifying our requirements for properties with resale restrictions
- Updating certain Uniform Loan Delivery Dataset (ULDD) requirements
- Clarifying that living trusts may be eligible Borrowers for Texas Equity Section 50(a)(6) Mortgages if the living trust meets the eligibility requirements of the Guide and applicable requirements under Texas law

## EFFECTIVE DATE

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

## CASH ADJUSTOR

In response to current market conditions, for Relief Refinance Mortgages sold under fixed-rate Cash commitments taken out on or after **July 19, 2013**, we are:

- Reinstating the cash adjustor for Mortgages with loan-to-value (LTV) ratios greater than 105% and less than or equal to 125%
- Adjusting the cash adjustor value for Mortgages with LTV ratios greater than 125%

As a reminder, cash adjustor values are subject to change at any time at Freddie Mac's discretion. The cash adjustor value was previously available through (800) FREDDIE. The cash adjustor value matrix is now only available through a link under the "Selling System Resources" section of the Freddie Mac Selling System ("Selling System") welcome page.

Freddie Mac will net the cash adjustor amount against the contract product price displayed in the Selling System once the Seller allocates a Mortgage to the contract.

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

## AUTHORIZED USER ACCOUNTS

In response to Seller feedback, we have examined our requirements regarding authorized user accounts. As a result of our review, we are revising our requirements to provide Sellers with an option to evaluate the impact of authorized user accounts on a Borrower's credit report. If the Seller determines that the impact on the Borrower's overall credit history is insignificant and the information on the credit report is representative of the Borrower's own credit reputation, then:

- For Loan Prospector® Mortgages, the Loan Prospector decision may be considered valid
- For Manually Underwritten Mortgages, the FICO® score may be considered usable

In addition, for Manually Underwritten Mortgages, we are updating our requirements regarding when an authorized user account may be considered a Borrower's Tradeline.

Sellers should review Sections 2.2.1, *Introduction to Loan Prospector®*, 37.4, *Establishing Borrower Credit Reputation*, and 37.5, *Credit Scores*, for complete revised requirements.

## CONDOMINIUM PROJECTS

In response to Seller feedback, we are simplifying our Condominium Project eligibility and review requirements in Guide Chapter 42, *Special Requirements for Condominiums*.

Updates to Chapter 42 include:

- Adding a diagram for additional clarity to illustrate our Condominium Project requirements and review types
- Updating the types of Condominium Projects that are ineligible in Section 42.3, *Ineligible Projects*
- Revising the requirements relating to the timing of the Seller's review of a Condominium Project and the delivery of a Condominium Unit Mortgage
- Simplifying our requirements by eliminating "mixed-use" and "live-work" as project review types and instead providing underwriting considerations for these types of properties

In addition, we have revised the definitions of "Amenities," "Common Elements," "Limited Common Elements," and "Project Documents" in the Glossary, as well as "Homeowners Association" in Chapter 42.

Applicable Guide cross-references to revised sections in Chapter 42 have been updated.

## RESALE RESTRICTIONS

### Properties without resale restrictions in subdivisions and projects with properties that have resale restrictions

We are eliminating our requirements for Mortgages secured by properties without resale restrictions that are located in subdivisions and projects with properties that have resale restrictions. As a result, we have deleted Section 22.24, *Purchase Requirements for Mortgages Secured by Properties without Resale Restrictions (Nonrestricted Properties)*.

Applicable Guide cross-references have been updated as a result of the deletion of Section 22.24.

### Properties subject to resale restrictions

We are updating our requirements for Mortgages secured by properties with resale restrictions. We are also updating our terminology to eliminate the term "inclusionary zoning" to be more consistent with industry terminology. Section 22.23, formerly titled *Inclusionary Zoning* and now retitled *Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions*, includes the updated requirements. As a result of this update, we have deleted Section 22.25, *Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions (Restricted Properties)*.

Applicable Guide cross-references to Sections 22.23 and 22.25 have also been updated.

## ULDD

### Condominium Projects

Effective **October 1, 2013**, we have updated the ULDD Data Point information for Detached Condominium Projects in Sections 42.12, *Delivery Requirements*, and 17.25, *Condominium Unit Mortgages*. Additionally, effective immediately, we have clarified the notes for ULDD Data Points "Project Classification Identifier" and "Condominium Project Status Type" in Section 17.25.

### Manufactured Homes

Pursuant to Section H33.3, *General Eligibility Requirements*, a Mortgage secured by a Manufactured Home must be submitted to Loan Prospector. We have updated Section 17.31, *Mortgages Secured by Manufactured Homes*, to reflect this existing eligibility requirement and provide that Sellers must deliver "Loan Prospector" as the ULDD Data Point "Automated Underwriting System Type," as well as the Loan Prospector (LP) Key Number associated with the Mortgage in the ULDD Data Point "Automated Underwriting Case Identifier."

Section 2.2.1 has also been updated to reflect that this delivery requirement applies to Manufactured Homes.

### New Guide Exhibit 34

Exhibits 34A, *Special Characteristics Codes Mapped to ULDD MISMO® Data Points,* and 34B, *Other Delivery Codes Mapped to ULDD MISMO® Data Points*, were published to assist Sellers with adoption of the ULDD and implementation of the Phase 1 ULDD delivery requirements. Since adoption and Phase 1 implementation are now complete, we are removing Exhibits 34A and 34B and adding Exhibit 34, *Investor Feature Identifiers*, to reflect the current Mortgage characteristics captured by the delivery of Investor Feature Identifiers.

## TEXAS EQUITY SECTION 50(a)(6) MORTGAGES

We are revising Section 24.8, *Requirements for Texas Equity Section 50(a)(6) Mortgages*, to clarify that a living trust may be a Borrower for a Texas Equity Section 50(a)(6) Mortgage if the living trust meets the eligibility requirements of Section 22.10(a), *Living Trusts*, and the requirements for a "qualifying trust" under Texas law for purposes of owning residential property that qualifies for the homestead exemption.

## GLOSSARY UPDATES FOR BALLOON/RESET MORTGAGE INELIGIBILITY

We have updated the Glossary to reflect that Balloon/Reset Mortgages are no longer eligible for sale to Freddie Mac. As announced in Bulletin 2012-19, Balloon/Reset Mortgages with Settlement Dates on or after January 1, 2013 are not eligible for purchase.

## TRAINING

Sellers are encouraged to enroll in our updated webinar, *Condominium Projects Eligibility Requirements*. Information and registration is available on Freddie Mac's Learning Center at: **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=Condo**.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 6, 17, 22, 24, A24, B24, 25, 37, 42 and 44
- Exhibits 34, 34A and 34B
- Glossary

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-13 (Selling) Guide Updates Spreadsheet available at **http://www.freddiemac.com/sell/guide/spreadsheets.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

# Bulletin

**NUMBER: 2013-14**

**TO**: Freddie Mac Servicers July 31, 2013

## SUBJECT: SERVICING INCENTIVES AND COMPENSATORY FEES

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing the elimination of the complete Borrower Response Package and Delinquency improvement performance standard and the associated Servicer incentives and compensatory fees.

We are also announcing a $500 increase in the incentive we will pay Servicers for completing a Home Affordable Modification Program (HAMP®) modification.

## ELIMINATION OF THE COMPLETE BORROWER RESPONSE PACKAGE AND DELINQUENCY IMPROVEMENT PERFORMANCE STANDARD

**Effective for all collection periods with a start date on or after August 1, 2013**

Effective for all collection periods with a start date on or after August 1, 2013, we are eliminating the complete Borrower Response Package and Delinquency improvement performance standard previously introduced in Bulletin 2011-11. Servicers are reminded that they must continue to collect the Borrower Response Package when required to do so by the Guide. However, we are eliminating the associated standard as well as the incentive and compensatory fee structure because some of our loss mitigation programs are streamlined and do not require a Borrower Response Package in all circumstances.

Effective for all collection periods with a start date on or after March 1, 2013, we will discontinue the assessment of compensatory fees for Servicers that do not meet the minimum benchmark for the complete Borrower Response Package and Delinquency improvement standard.

For all collection periods with a start date prior to August 1, 2013, we will continue to pay a $500 incentive for each complete Borrower Response Package reported to Freddie Mac if the Servicer has a performance measurement that meets or exceeds the incentive benchmark.

Servicers are reminded that they must continue to notify Freddie Mac that they have received a complete Borrower Response Package via an Electronic Default Reporting (EDR) transmission by reporting default action code H5 within the first three Business Days of the month following the month the Servicer received a complete Borrower Response Package.

The performance standard measurement will continue to be reflected on the Borrower Response Package Monthly Progress Report on Default Reporting Manager℠ until all collection periods with a start date prior to August 1, 2013 are completed.

Guide Sections 6.12, *Freddie Mac Remedies*, 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, and 65.8, *Performance Standards*, and Guide Exhibit 96, *Servicing Incentives and Compensatory Fees*, have been updated to reflect these changes.

For all collection periods with a start date on or after March 1, 2013, but prior to August 1, 2013, the following grid describes the details of the measurement for the complete Borrower Response Package and Delinquency improvement performance standard being eliminated from Section 65.8 by the changes announced in this Bulletin:

| **Topic** | **Measurement** |
|---|---|
| Delinquent Borrower Population | The number of Borrowers who become 60 days delinquent ("Delinquent Borrower Population") at the beginning of a month ("Start Date")<br><br>*Excludes delinquent Borrowers in bankruptcy (including a bankruptcy filed after the Start Date)and completed repurchases (as defined in Section 72.4)* |
| Collection period | Six months from Start Date<br><br>*Excludes delinquent Borrowers in bankruptcy (including a bankruptcy filed after the Start Date) and completed repurchases (as defined in Section 72.4)* |
| Borrower Response Population | The number of Borrowers in the Delinquent Borrower Population who have delivered complete Borrower Response Packages, who are current or less than 60 days delinquent, or who pay off the Mortgage, at the end of the collection period ("Borrower Response Population")<br><br>*Excludes delinquent Borrowers in bankruptcy (including a bankruptcy filed after the Start Date) and completed repurchases (as defined in Section 72.4)* |
| Performance Measurement | The Borrower Response Population divided by the Delinquent Borrower Population ("Performance Measurement") |
| Minimum benchmark | The Performance Measurement is 50% |
| Incentive benchmark | The Performance Measurement is greater than or equal to 60% |

## HOME AFFORDABLE MODIFICATION PROGRAM (HAMP) INCENTIVES

**Effective for Mortgages with HAMP Modification Effective Dates on or after April 1, 2014**

For Mortgages with HAMP Modification Effective Dates on or after April 1, 2014, we are increasing the Servicer incentive by $500 if the modification is completed in accordance with the Guide. The new Servicer incentive amounts are as follows:

| **Number of Days Delinquent at Trial Period Plan Effective Date** | **Incentive Amount** |
|---|---|
| Less than or equal to 120 days delinquent (150 days from Due Date of Last Paid Installment (DDLPI)) | $2,100 |
| 121 days or more delinquent to and including 210 days delinquent (151 to 240 days from DDLPI) | $1,700 |
| Greater than 210 days delinquent (greater than 240 days from DDLPI) | $900 |

Section C65.9, *HAMP Incentives,* and Exhibit 96 have been updated to reflect these changes.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 6, 64, 65 and C65
- Exhibit 96

## 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
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# Bulletin

**NUMBER: 2013-15**

**TO**: Freddie Mac Servicers August 15, 2013

## SUBJECTS

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

- Providing special requirements for Borrowers impacted by an Eligible Disaster, including the new Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification")
- Adding new Guide Chapter A66, *Provisions for Expediting Freddie Mac Default Legal Matters*, which includes the requirements for common methods of expediting Freddie Mac Default Legal Matters
- Revising our requirements for providing relief to Borrowers who are Servicemembers and their Dependents (as the terms "Servicemember" and "Dependent" are defined in the Servicemembers Civil Relief Act (SCRA))
- Revising our property inspection requirements
- Revising our requirements for the reimbursement of:
  - Attorney fees and costs related to contested foreclosures and mediation
  - Expenses incurred for title work
  - Condominium, homeowners association (HOA) and Planned Unit Development (PUD) assessments in super lien States
- Permanently extending the submission time frame for 104SF claims from 30 days to 45 days
- Updating our unemployment forbearance requirements

In addition to the changes listed above, we are making further updates and revisions, as described in the "Additional Guide Updates" section of this Bulletin.

## EFFECTIVE DATE

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

## SERVICER REQUIREMENTS FOR BORROWERS IMPACTED BY AN ELIGIBLE DISASTER

We have rewritten Chapter 68, *Servicing Mortgages Impacted by a Disaster*, and have made several revisions to Chapters B65, *Workout Options*, and C65, *Home Affordable Modification Program*, to incorporate special requirements to assist Borrowers whose Mortgaged Premises or places of employment are damaged by an Eligible Disaster. These changes were developed and adopted under the direction of the Federal Housing Finance Agency (FHFA), and are part of the Servicing Alignment Initiative (SAI). The changes include, but are not limited to, the following:

- Property protection activities, such as ascertaining the extent of the damage, and, if necessary, securing abandoned properties

- Requirements for managing the Delinquency of a Borrower whose Mortgaged Premises or place of employment was impacted by an Eligible Disaster. Actions must be taken to determine the impact of the disaster and whether relief such as forbearance is needed. If possible, the Servicer should then transition the Borrower into a relief or workout option to avoid foreclosure.
- The addition of the new Disaster Relief Modification for Borrowers who were current or less than 31 days delinquent at the time of an Eligible Disaster
- Revisions to the Freddie Mac Streamlined Modification ("Streamlined Modification") for Borrowers who were current or less than 31 days delinquent at the time of an Eligible Disaster
- Adopting the temporary Trial Period Plan eligibility requirements announced for Hurricane Sandy for any Borrower whose Mortgaged Premises or place of employment is located in an Eligible Disaster Area
- Requirements for insurance loss settlements after an Eligible Disaster
- Instructing Servicers not to report to credit repositories a Borrower who is on a disaster-related Trial Period Plan. As a reminder of our existing requirements, Servicers also must not report to the credit repositories a Borrower who is on a disaster-related forbearance or repayment plan.

In addition, we have updated the Glossary to include definitions for "Eligible Disaster" and "Eligible Disaster Area."

### Transition following a disaster-related forbearance

We have updated Chapter 68 to include the requirements for evaluating a Borrower who is transitioning from a disaster-related forbearance plan to another relief or workout option. Servicers must contact the Borrower prior to the end of the forbearance period to determine the appropriate relief or workout option to cure the Delinquency. The Servicer must consider a number of factors including, but not limited to, the Servicer's ability to achieve quality right party contact, the Borrower's financial circumstances and ability to resume making monthly payments on the Mortgage, and the status of the Mortgage at the time of the disaster.

Servicers must refer to Guide Section 68.6, *Transition following Disaster-Related Forbearance,* for full requirements on offering transition assistance to Borrowers impacted by an Eligible Disaster.

If the Servicer is evaluating the Borrower for an alternative to foreclosure based on a Borrower Response Package, the documentation cannot be more than 180 days old as of the date of the evaluation for the alternative to foreclosure.

### Disaster Relief Modification

**Effective November 1, 2013**

The Disaster Relief Modification is a new modification option for certain Borrowers whose hardship resulted from an Eligible Disaster. This modification will assist a Borrower whose hardship is resolved and who is able to resume making the contractual monthly payments on a Mortgage but is unable to reinstate the Mortgage or cure the Delinquency with a traditional repayment plan. Such Borrowers will now be provided an opportunity to repay the arrearages over the life of the Mortgage by capitalizing the arrearages and incrementally extending the term just enough to achieve a monthly principal and interest payment that is equivalent to, or slightly less than, their contractual monthly principal and interest payment. For certain Borrowers, this may be preferable to our existing modification options, which include a term extension to 40 years and, in certain situations, a final Balloon Payment. To ensure that the hardship has been resolved and the Borrower can continue to pay the contractual payment, an eligible Borrower will be required to complete a Trial Period Plan in accordance with Section B65.19, *Trial Period Plan Requirements*, prior to being offered a permanent Disaster Relief Modification.

To be eligible for the Disaster Relief Modification, the Borrower's Mortgaged Premises or place of employment must be located in an Eligible Disaster Area. In addition, the Borrower must be at least 60 days delinquent, but less than 360 days delinquent, at the time of evaluation and must have been current or less than 31 days delinquent at the time of the disaster. Servicers are not required to collect or review a Borrower Response Package, but must establish quality right party contact with the Borrower in order to confirm that the hardship has been resolved and the Borrower is able to maintain the contractual monthly payments on the Mortgage.

The requirements for the Disaster Relief Modification, including, but not limited to, the eligibility requirements and exclusions, and the requirements for determining the terms of the Disaster Relief Modification, are provided in new Section B65.12.2, *Capitalization and Extension Modification for Disaster Relief*.

If the Borrower is approved for a Disaster Relief Modification in accordance with the requirements in Section B65.12.2, the Servicer must send the Borrower a Disaster Relief Modification Trial Period Plan Notice. Guide Exhibit 93, *Evaluation Model Clauses*, has been updated to include this new Trial Period Plan Notice.

Servicers must comply with these requirements for new evaluations conducted on or after November 1, 2013. However, if feasible, Servicers are encouraged to implement these changes immediately.

We will inform Servicers in a future communication of the date that Workout Prospector® will be available to process the terms of the Disaster Relief Modification. In the interim, Servicers are authorized to manually underwrite and approve eligible Borrowers for a Disaster Relief Modification Trial Period Plan, but must transmit an exception request to Freddie Mac via Workout Prospector to process the terms of the Trial Period Plan. Servicers must report the Disaster Relief Modification Trial Period Plan to Freddie Mac via Electronic Default Reporting (EDR) using the Freddie Mac Standard Modification default action code "BF" in accordance with Section B65.21, *Other Conditions and Requirements*. We will inform Servicers in a future communication of the date that a new EDR code will be available for the reporting of Disaster Relief Modification Trial Period Plans.

### Streamlined Modification

**Effective November 1, 2013**

We have updated our Streamlined Modification requirements in Section B65.12.1, *Freddie Mac Streamlined Modification*, to incorporate special requirements for Borrowers whose hardship was a result of an Eligible Disaster and who were current or less than 31 days delinquent as of the date of the Eligible Disaster.

The Servicer must evaluate the Borrower for a Streamlined Modification if the Borrower is 90 or more days delinquent, a Borrower Response Package has not been received and one of the following conditions exists:

- The Borrower is not eligible for, or declines, a Disaster Relief Modification
- The Servicer is unable to achieve quality right party contact with the Borrower at the end of the disaster-related forbearance period to determine the Borrower's financial status and eligibility for a Disaster Relief Modification

In addition, the Servicer must evaluate the Borrower for a Streamlined Modification in accordance with the special requirements provided in Section B65.12.1(g). These requirements amend and supersede certain Streamlined Modification requirements and include, but are not limited to, the following:

- The Servicer is not required to have previously solicited the Borrower for an alternative to foreclosure prior to offering an eligible Borrower a Streamlined Modification
- Certain eligibility exclusions have been revised or eliminated. For example, there is no exclusion relating to the number of previous modifications.

- If the Servicer was not collecting Escrows prior to the disaster, the Servicer is not required to establish an Escrow account as a condition of the modification, unless otherwise required by applicable law or the Servicer confirms that the taxes and insurance premiums have not been paid and are past due
- There is no restriction on the mark-to-market loan-to-value (MTMLTV) ratio; however, as described in Section B65.12.1(g), when the MTMLTV ratio is less than 80%, the steps to be taken for determining the terms of the Streamlined Modification are different from the steps to be taken when the MTMLTV ratio is greater than or equal to 80%

If a Borrower is approved for a Streamlined Modification due to an Eligible Disaster in accordance with the requirements of Section B65.12.1(g), the Servicer must send the Borrower the Streamlined Modification Trial Period Plan Notice, amended as set forth in Exhibit 93 for Eligible Disasters, and Exhibit 1191A, *Streamlined Modification Post-Disaster Forbearance Solicitation Letter*.

Servicers must comply with these requirements for new evaluations conducted on or after November 1, 2013. However, if feasible, Servicers are encouraged to implement these changes immediately.

We will inform Servicers in a future communication the date that Workout Prospector will be available to process the special terms of the Streamlined Modification when the MTMLTV ratio is less than 80%. In the interim, Servicers are authorized to manually underwrite and approve eligible Borrowers with an MTMLTV ratio that is less than 80% for a Streamlined Modification Trial Period Plan, but must transmit an exception request via Workout Prospector to process the terms of the Trial Period Plan. Servicers must report the Streamlined Modification Trial Period Plan to Freddie Mac via EDR in accordance with Section B65.21.

### Trial Period Plans

With this Bulletin, we are updating the Guide to make the temporary Trial Period Plan eligibility requirements announced in response to Hurricane Sandy in Bulletins 2012-26 and 2012-29 permanent for any Borrower whose Mortgaged Premises or place of employment is located in an Eligible Disaster Area. If the Borrower was performing in accordance with the terms of the Trial Period Plan at the time of entering a disaster-related forbearance plan, the Servicer must re-evaluate such Borrower for another Trial Period Plan within 30 days prior to the end of the disaster-related forbearance period.

In evaluating a Borrower for another Trial Period 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 and the most recent property inspection. Section 68.6(c) provides the evaluation and processing requirements for situations where the Borrower's financial circumstances have not been adversely impacted, as well as the requirements for situations where the Borrower's financial circumstances have been adversely impacted.

Sections 68.6 and C65.4, *Eligibility*, have been updated to reflect these requirements.

### Insurance loss settlements after an Eligible Disaster

In Bulletin 2013-4, we provided insurance loss settlement relief to Borrowers coping with disaster-related hardships as a result of Hurricane Sandy. Bulletin 2013-4 temporarily amended the requirements in Section 58.10, *Insurance Loss Settlements*, to expedite the release of insurance funds to impacted Borrowers.

With this Bulletin, we are updating the Guide to make the temporary insurance loss settlements requirements announced in Bulletin 2013-4 in response to Hurricane Sandy permanent for any Borrower whose Mortgaged Premises is located in an Eligible Disaster Area. If the Mortgaged Premises has been damaged and is located in an Eligible Disaster Area, property insurance proceeds for structural losses must be disbursed in accordance with new Section 68.3, *Insurance Loss Settlements after an Eligible Disaster*, and not under the claims proceeds requirements of Section 58.10(a). Except as specifically set forth in Section 68.3, all other provisions of Section 58.10 will continue to apply.

## PROVISIONS TO EXPEDITE FREDDIE MAC DEFAULT LEGAL MATTERS

Freddie Mac instructs its Servicers to follow applicable State laws when handling Freddie Mac Default Legal Matters, such as a foreclosure. Some States have procedures for quickly completing foreclosures that may be advantageous to Freddie Mac and consistent with the Servicer's obligation to mitigate Freddie Mac's losses.

In order to provide guidance to Servicers about when to take advantage of these procedures on Freddie Mac Default Legal Matters, we have developed Chapter A66. With the development of this new chapter, Servicers are authorized to proceed with the various methods available to expedite Freddie Mac Default Legal Matters. Prior to utilizing any of the expedited methods outlined below, Servicers must review the requirements provided in Chapter A66. Under the new chapter, Servicers are authorized, among other things, to:

- Waive rights to pursue a deficiency after a foreclosure sale
- Provide a relocation incentive to Borrowers willing to enter into consent judgments for Mortgaged Premises located in Illinois
- Obtain default judgment for less than the full amount owed by the Borrower in order to obtain an expedited default judgment
- Utilize bulk trial foreclosures in Florida

Servicers must work with their law firms to determine the best method for handling Freddie Mac Default Legal Matters prior to proceeding with any of the methods provided in Chapter A66.

Applicable sections in Chapter 66, *Foreclosure*, have been revised to reflect these changes.

## SERVICING REQUIREMENTS FOR BORROWERS WHO ARE SERVICEMEMBERS AND THEIR DEPENDENTS

Servicers have contacted Freddie Mac with questions about our SCRA Guide chapter, Chapter 82, formerly, *Special Servicing and Reporting Requirements for SCRA-Capped Mortgages*, and now retitled, *Servicing Requirements for Borrowers who are Servicemembers and Their Dependents.* We are updating Chapter 82 to simplify our requirements relating to the SCRA and State Military Relief Laws (as the term "State Military Relief Laws" is defined in Chapter 82) and explain Servicer responsibilities to effectively implement military relief legal protections.

As part of this revision, we are eliminating the requirement that Servicers collect and report official documentation of a Servicemember's disability or death and available government benefits in the event a Servicemember dies or becomes disabled while on active duty.

Additionally, to highlight Freddie Mac's commitment to our active duty Servicemembers and their families and to recognize the sacrifice they make each and every day, we have created Section 82.2(c) to include the additional foreclosure relief Freddie Mac provides to Servicemembers and their Dependents. We have also repurposed Section 82.3, now titled, *Other Relief and Workout Options*, to remind Servicers of their responsibilities to evaluate Servicemembers and their Dependents for the most appropriate relief or workout option from Freddie Mac's existing options when a Servicemember or Dependent: (i) does not qualify for Mortgage relief under the provisions of the SCRA or State Military Relief Laws; or (ii) qualifies for Mortgage relief under the provisions of the SCRA or State Military Relief Laws, but chooses to explore other relief options.

## PROPERTY INSPECTIONS

### Effective November 1, 2013

We have revised our property inspection guidelines for properties meeting the requirements set forth in Section 65.33, *When to Order a Property Inspection*. Servicers are encouraged to begin implementing the new guidelines on September 1, 2013, if they are able to do so, but are required to implement the new guidelines no later than November 1, 2013. The new requirements are as follows:

- We will no longer limit the reimbursement of property inspections to those conducted within the applicable State foreclosure time lines in Exhibit 83, *Freddie Mac State Foreclosure Time Lines*. Any Guide-required monthly inspections completed outside of the State foreclosure time lines will be reimbursable via the expense reimbursement process.
- We have increased our reimbursable amount for required exterior property inspections from a maximum of $10 per property inspection to a maximum of $15 per property inspection
- To provide Servicers with increased ability to monitor for and mitigate against interior property damage of properties that are confirmed to be abandoned, we are:
  - Requiring Servicers to order the monthly property inspection as an interior inspection, and
  - No longer limiting the inspection completion time frame for property inspections to the period after the property was confirmed to be abandoned and the 30 days preceding the foreclosure sale
- The reimbursable amount for interior property inspections will no longer be limited to an aggregate of $40; instead, each such inspection will be reimbursable up to a maximum of $20 per interior inspection, if the inspection is required by the Guide
- We are introducing two new expense codes for use when State statutes or local ordinances require property inspections more frequently than Freddie Mac. In such cases, Servicers must use the appropriate ordinance expense code based on the required frequency of the inspections. Servicers must use the applicable Freddie Mac property inspection expense code, 404005 (Exterior Property Inspection) or 404007 (Interior Property Inspection), for the initial monthly property inspection. When necessary, the additional ordinance inspection(s) must be submitted to us for reimbursement using the applicable ordinance inspection expense code listed below:
  - 404016 (Ordinance Required Property Inspection (Weekly))
  - 404017 (Ordinance Required Property Inspection (Biweekly))

Sections 65.33 and 65.36, *Reimbursement of Property Inspections*, and Exhibits 57, *1- to 4-Unit Approved Expense Amounts*, and 74, *Expense and Income Codes for Expense Reimbursement Claims*, have been revised to reflect these changes.

#### Reminder: Chicago Vacant Property Ordinance requirements

Bulletin 2012-5 announced property inspection, preservation and the Freddie Mac Reimbursement System ("Reimbursement System") submission requirements specific to Mortgaged Premises subject to Sections 13-12-125, 126, 127 and 135 of the Municipal Code of the City of Chicago. Those requirements are still in effect and are not being replaced by the new ordinance inspection requirements previously outlined within this Bulletin. Servicers should refer to Bulletin 2012-5 and Exhibit 59, *City of Chicago Vacant Property Ordinance Expense Codes*, for additional information.

## REIMBURSEMENT

### Attorney fees and costs

### Effective September 1, 2013

As a follow up to Bulletin 2012-25, Freddie Mac is updating the Guide to provide new requirements for reimbursement of attorney fees and costs related to contested foreclosures and mediation where pre-foreclosure mediation is required by State or local law.

#### *Contested foreclosures*

We have updated our list of reimbursable expenses to allow additional attorney fees for handling a contested foreclosure, which requires additional action or litigation to resolve a disputed matter and proceed with the foreclosure. Given that such action would generate additional attorney fees that potentially exceed expense limits in Exhibit 57A, *Approved Attorney Fees and Title Expenses,* we have streamlined the review and pre-approval (RPA) of additional attorney fees that are incurred as the result of a foreclosure action becoming contested or litigated.

Freddie Mac has created a new expense code category in the Reimbursement System titled "Contested Foreclosure" for contested foreclosure actions that exceed the expense limits in Exhibit 57A. All attorney fees pre-approved and/or paid using the expense codes that are part of the Contested Foreclosure expense code category will be in addition to the allowable foreclosure attorney fee provided in Exhibit 57A.

Certain expense codes in the Contested Foreclosure expense code category were created to account for atypical contested foreclosure actions taken by a default-related legal services law firm to resolve the dispute and proceed with a foreclosure action. These actions require that the Servicer use expense codes 010018 (Contested Foreclosure Fee – Other (Judicial)) and 010023 (Contested Foreclosure Fee – Other (Non-Judicial)) to request written pre-approval for, and subsequent reimbursement of, the additional legal fees associated with the contested foreclosure.

***Mediation***

We are updating the Guide to state that we will approve RPAs through the Reimbursement System for reimbursement of mediation fees and court costs up to $875 for attendance and appearance at the initial mediation hearing or conference and up to two additional mediation hearings or conferences when Freddie Mac determines that applicable law requires participation in a pre-foreclosure mediation program. Freddie Mac will conduct additional review to approve RPAs of mediation fees and court costs in excess of $875, or in any amount in any State or jurisdiction where Freddie Mac has not determined that applicable law requires a pre-foreclosure mediation program.

Sections 67.18, *Reporting and Notification Requirements for Freddie Mac Default Legal Matters*, 67.26, *Reimbursement of Expenses Related to Property Seizures*, and 71.19, *Reimbursement of Fees and Costs Incurred during Legal Proceedings*, and Exhibits 57A and 74 have been revised to reflect these changes.

### Title work expense limits

**Effective September 1, 2013**

As a follow up to Bulletin 2012-25, Freddie Mac is updating the allowable amounts reimbursable to Servicers in certain jurisdictions for expenses incurred for title work as part of the foreclosure process, or incurred outside of the foreclosure process in which such costs are not permitted to be capitalized in a loan modification and are reimbursable to a Servicer.

Exhibit 57A has been updated to revise the maximum allowable amounts effective for all reimbursement claims submitted **on or after September 1, 2013**.

Costs set forth in Exhibit 57A for title work required for foreclosures include the cost of an update to the title if required by the State, or to ensure clear and marketable title to the Mortgaged Premises after the foreclosure sale. Freddie Mac will not reimburse for any additional title abstract, commitment or policy. If the Servicer must obtain an additional update to the title because the original is stale due to bankruptcy delay, Freddie Mac will reimburse the Servicer up to $75 for the update. Servicers must contact Freddie Mac for written pre-approval for an additional update if the title becomes stale for any other reason.

Section 71.19 has been updated to reflect these changes.

### Condominium, HOA and PUD assessments in super lien States

**Effective for Mortgages that went to foreclosure sale on or after August 1, 2013**

Pursuant to the requirements set forth in Section 66.29, *Expenses that May Become First Liens on the Property*, Servicers are required to pay any condominium, HOA and PUD regular assessments prior to the foreclosure sale date if they are, or may become, a First Lien priority on the Mortgaged Premises or that if not paid, would result in the subordination of Freddie Mac's interest in the Mortgaged Premises. With this Bulletin, we are announcing that we will no longer limit the reimbursement of any such Guide-required advances to six months; the reimbursable amount will instead be limited to the lesser of:

- The actual amount in regular assessments advanced by the Servicer
- The maximum amount in regular assessments that, per the project declaration or bylaws, would take priority over the Mortgage

- The maximum amount in regular assessments that, per applicable State statute, would take priority over the Mortgage

***Reimbursement process for condominium, HOA, and PUD assessments with assessment periods that exceed six months***

Where consistent with the reimbursement requirements outlined in the preceding paragraph and stated in Section 71.18, *Reimbursement of Condominium, HOA and PUD Fees, Assessments and Ground Rent*, a Servicer may seek reimbursement for the portion of applicable assessments that was paid by the Servicer and not covered by the previous six month reimbursement limit. In order to receive reimbursement for this portion of assessments, the Servicer must, prior to the initial claim submission, submit an RPA for the applicable portion of assessments via the Reimbursement System. When submitting an RPA for these assessments, the Servicer must include any information or documentation needed to verify that the submission meets the reimbursement guidelines outlined above. This documentation may include, but is not limited to, the relevant section of the project declaration or bylaws.

Sections 71.18 and 71.30, *Standard Supporting Documentation for Expense Reimbursement*, have been revised to reflect these changes.

## SUBMITTING EXPENSE REIMBURSEMENT CLAIMS

In Bulletin 2009-11, Freddie Mac announced the temporary extension of the time frame that Servicers have to submit 104SF claims. The time frame for the submission of the initial claim for Real Estate Owned (REO) events, and the submission of the final claim for non-REO events were both extended from 30 days to 45 days.

With this Bulletin, we are announcing that the temporary submission time frame extension provided in Bulletin 2009-11, is now permanent. We have updated Section 71.13, *Claim Submission Types and Time Frames*, to reflect the 45-day submission time frame.

Servicers are reminded that late submission of 104SF claims may result in the curtailment or denial of payment.

## UNEMPLOYMENT FORBEARANCE

We are updating the Guide to amend the requirement that the Servicer request updated Borrower documentation to evaluate the Borrower for another alternative to foreclosure no more than 60 days prior to the expiration date of an extended unemployment forbearance plan or upon Borrower notification of re-employment.

Instead, we are now requiring that the Servicer evaluate the Borrower for another alternative to foreclosure prior to the expiration date of the extended unemployment forbearance plan or upon Borrower notification of re-employment, whichever comes first, and in accordance with the evaluation hierarchy provided in Section 64.6(a).

Section A65.28, *Extended Unemployment Forbearance*, and Exhibit 93 have been updated to reflect these changes.

## ADDITIONAL GUIDE UPDATES

### Bankruptcy cramdowns

We are revising notification requirements in Sections 67.13, *Bankruptcy Cramdowns*, and 78.25, *Monthly Reporting and Remitting*, related to a proposed or confirmed bankruptcy cramdown plan.

### Custodial Accounts

We are providing additional information in Sections 77.8, *Opening Custodial Accounts*, through 77.12, *Custodial Account Documentation Requirements*, to Servicers about how Custodial Accounts must be maintained. This includes reminding Servicers that the Custodial Accounts and the funds held within them must be free and clear of any and all liens or claims of others, including security agreements.

### Freddie Mac Standard Modification exception requests

In Bulletin 2011-16, Freddie Mac announced that Exhibit 95, *Freddie Mac Standard Modification Exception Transmittal*, must be used temporarily for submitting exception requests in connection with the information required for a Freddie Mac Standard Modification ("Standard Modification") until Workout Prospector would be available to process such requests.

In our Single-Family Update e-mail on July 15, 2013, we announced the first in a series of enhancements to Workout Prospector. With this enhancement, Servicers must submit required information to support their Standard Modification exception requests via Workout Prospector under the "Comments" section and may also track each submission's status during the review process. In addition, the enhancement allows for faster communication between Servicers and Freddie Mac, eliminates the need for additional documentation and leads to faster resolution of exceptions.

All Standard Modification exception requests must now be submitted via Workout Prospector. Freddie Mac will no longer review any exception requests submitted via Exhibit 95. With this Bulletin, Exhibit 95 is retired from the Guide.

### Reporting and remittance requirements for modifications

We are updating Section B65.26, *Reporting and Remittance Requirements*, to provide additional information regarding our reporting and remittance requirements for modifications.

### Compensatory fees

We have removed a duplicative sentence in Sections 78.47.1, *Reporting Noncompliance Compensatory Fees – All Loans*, and 78.47.2*, Electronic Default Reporting (EDR) Noncompliance Compensatory Fees*, and Exhibit 96, *Servicing Incentives and Compensatory Fees*, that addresses our fee assessment for the third violation or more, as it is already addressed within the fee grids.

### Updates to Form 1207, *Mortgage Insurance Information Disclosure Agreement*

In response to Seller/Servicer feedback, and in order to provide greater clarity, we have updated Form 1207, which was introduced in Bulletin 2013-6. The form now instructs Seller/Servicers to e-mail completed copies of the form to us at **MI_Questions@FreddieMac.com**. The form also now provides a designated field for Seller/Servicers to include the name of their institution.

## TRAINING

To help Servicers understand the new and revised requirements announced in this Bulletin, we encourage registration in the **Freddie Mac Bulletin 2013-15 Overview** webinar.

Servicers should visit **Freddie Mac's Learning Center** for additional Servicing training information and resources.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 64, 65, A65, B65, C65, 66, A66, 67, 68, 71, 76, 77, 78 and 82
- Form 1207
- Exhibits 57, 57A, 74, 93, 95, 96 and 1191A
- Glossary
- Directory

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-15 (Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/sell/guide/spreadsheets.html**.

## 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: 2013-16**

**TO**: Freddie Mac Sellers August 20, 2013

## SUBJECT: UPDATES IN RESPONSE TO THE CFPB FINAL RULE ON ABILITY TO REPAY

**(This is a reissuance of Bulletin 2013-16, with a correction to the section titled "Government Mortgages" made on October 1, 2013.)**

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin updates our requirements in response to the final rule of the Consumer Financial Protection Bureau (CFPB) implementing the ability to repay provisions ("ATR") under the Truth-in-Lending Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("CFPB final rule"). The updated requirements include:

- Retiring Mortgages with original maturities in excess of 30 years as eligible Freddie Mac Mortgages
- Retiring Prepayment Penalty Mortgages as eligible Freddie Mac Mortgages
- Introducing new points and fees thresholds to replace the existing Freddie Mac 5% threshold
- Updating our requirements for Higher-Priced Mortgage Loans (HPMLs) for the following Mortgages:
  - Freddie Mac Relief Refinance Mortgages℠
  - ARMs with Initial Periods of 7 or 10 years

In the context of the CFPB final rule, we are also providing Sellers with additional information about Mortgages evaluated through Loan Prospector®, our representation and warranty framework, government Mortgages and ULDD Data Points.

## EFFECTIVE DATE

The changes announced in this Bulletin are effective for Mortgages with Application Received Dates on or after **January 10, 2014**.

In addition, Mortgages with original maturities in excess of 30 years and Prepayment Penalty Mortgages must have a Freddie Mac Settlement Date on or before July 31, 2014.

## BACKGROUND

On January 10, 2013, the CFPB final rule was issued, which generally requires a Seller to make a reasonable, good faith determination of a Borrower's ability to repay before originating a Mortgage and establishes certain protections from liability for qualified mortgages. The CFPB final rule includes amendments subsequently released by the CFPB on May 29, 2013 and July 10, 2013 and will be effective for Mortgages with applications received on or after January 10, 2014.

At the direction of the Federal Housing Finance Agency (FHFA), Freddie Mac and Fannie Mae have worked together in an effort to align updated requirements in response to the CFPB final rule.

## ELIGIBILITY REQUIREMENTS

### ATR covered Mortgages

In our May 6, 2013 Industry Letter and July 2, 2013 Industry Letter, Freddie Mac notified Sellers that Mortgages with Applications Received Dates on or after January 10, 2014 must meet the following requirements to be eligible for sale to Freddie Mac:

- Be fully amortizing (e.g., the Mortgages must not be interest-only or have potential for Negative Amortization)
- Have terms not exceeding 30 years (e.g., no 40-year fixed-rate Mortgages)
- Have total points and fees not exceeding 3% of the total loan amount (or such other applicable limits for lower balance Mortgages) as specified under the Truth-in-Lending Act and its implementing regulations, 12 C.F.R. Section 1026.43(e)(3)

These three eligibility requirements have been added to the Guide, and apply to Mortgages with Application Received Dates on or after January 10, 2014 that are subject to the CFPB final rule ("ATR covered Mortgages"). These requirements do not apply to assumptions or modifications of Freddie Mac-owned or guaranteed Mortgages.

### ATR exempt Mortgages

Certain Mortgages are exempt from Regulation Z, 12 C.F.R. 1026.43(a) or are not subject to the Truth-in-Lending Act ("ATR exempt Mortgages"). As stated in the July 2, 2013 Industry Letter, Freddie Mac will continue to purchase these Mortgages, provided they meet all requirements in the Guide and other Purchase Documents, including the amortization and term requirements referenced above. Refer to the "Points and Fees" section of this Bulletin for thresholds associated with ATR exempt Mortgages.

Notes:

- Freddie Mac will also purchase "non-standard" to "standard" refinance Mortgages (as defined under 12 C.F.R. 1026.43(d) of Regulation Z) provided they meet all requirements in the Guide and other Purchase Documents, including all three eligibility requirements referenced above.
- Although Mortgages that meet the requirements of Guide Section 22.10(a), *Living Trusts*, may be exempt from ATR under the Truth-in-Lending Act and its implementing regulations, such Mortgages will not be eligible for sale to Freddie Mac unless they meet all requirements in the Guide and other Purchase Documents, including all three eligibility requirements referenced above.

### Determination of regulatory compliance

Freddie Mac will not make the determination of whether a Mortgage is exempt from, or complies with, the CFPB final rule or whether a Seller's designation of the status of a Mortgage under the CFPB final rule is correct. These determinations of compliance with the CFPB final rule and other applicable laws are the Seller's responsibility.

## MORTGAGES WITH ORIGINAL MATURITIES IN EXCESS OF 30 YEARS

Effective for Mortgages with Application Received Dates on or after January 10, 2014, Mortgages with original maturities in excess of 30 years are not eligible for sale to Freddie Mac. Freddie Mac will continue to purchase Mortgages with original maturities in excess of 30 years and Application Received Dates prior to January 10, 2014, provided that they have Freddie Mac Settlement Dates on or before July 31, 2014.

We are therefore revising Home Possible Mortgage® requirements to reflect this change.

Note: The Seller must structure any interim construction financing to be exempt from the ability to repay provisions of Regulation Z, Section 1026.43(a)(3) so that the Mortgage term does not exceed thirty years.

All applicable Guide sections and Guide Exhibit 17S, *Available Mortgage Products*, have been updated to reflect this change. Exhibit 19, *Postsettlement Delivery Fees*, will be updated with a future Bulletin to reflect this change.

Loan Prospector feedback messages will be updated at a later date.

## PREPAYMENT PENALTY MORTGAGES

Effective for Mortgages with Application Received Dates on or after January 10, 2014, Prepayment Penalty Mortgages are not eligible for sale to Freddie Mac. Freddie Mac will continue to purchase Prepayment Penalty Mortgages with Application Received Dates prior to January 10, 2014, provided that they have Freddie Mac Settlement Dates on or before July 31, 2014.

All applicable Guide sections, exhibits and the Glossary have been updated to reflect this change.

## POINTS AND FEES

### New thresholds

We are updating our requirements for points and fees as follows:

- For ATR covered Mortgages, the points and fees must not exceed 3% of the total loan amount (or such other applicable limits for lower balance Mortgages) as specified under the Truth-in-Lending Act and its implementing regulations, 12 C.F.R. 1026.43(e)(3). Sellers must use the points and fees calculation that is required for qualified mortgages under the Truth-in-Lending Act and its implementing regulations, 12 C.F.R. 1026.32(b) to determine compliance with applicable requirements.
- For ATR exempt Mortgages, the points and fees must not exceed 5% of the total loan amount. Sellers must use the points and fees calculation that is required for high-cost Mortgages under the Home Ownership and Equity Protection Act of 1994 (HOEPA) and its implementing regulations, 12 C.F.R. 1026.32(b).

We are replacing the existing Freddie Mac 5% points and fees limitation under Section 22.32, *Predatory Lending Practices*, with the new points and fees thresholds.

We are adding new Section 22.37, *Points and Fees Limitation*, and updating Sections 22.1, *Overview*, and 22.32 to reflect these changes.

We are also updating Section 22.33, *HOEPA Mortgages*, and additional applicable Guide sections for consistency with the new statutory thresholds under HOEPA as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

### Treatment of Freddie Mac delivery fees

Sellers may decide to recover the costs of delivery fees by either including the delivery fees in the calculation of points and fees or in the interest rate. If a Seller chooses to pass some or all of those delivery fees through to Borrowers, it is the Seller's responsibility to comply with applicable requirements to determine the total amount of points and fees and annual percentage rate consistent with our eligibility requirements.

## HIGHER-PRICED MORTGAGE LOANS (HPMLS)

### HPML Relief Refinance Mortgages

We are revising the eligibility requirements for Relief Refinance Mortgages – Same Servicer and Relief Refinance Mortgages – Open Access that are HPMLs. The revised requirements include, but are not limited to, the following:

- Minimum Indicator Score of 620
- Maximum debt payment-to-income ratio of 45%
- Verification of income source and amount

Loan Prospector will not be updated to verify the revised eligibility requirements for Relief Refinance Mortgages – Open Access. Therefore, Sellers must confirm that the revised requirements are met, regardless of the Loan Prospector Risk Class.

Guide Chapters A24, *Freddie Mac Relief Refinance Mortgages℠ – Same Servicer*, and B24, *Freddie Mac Relief Refinance Mortgages℠ – Open Access*, and Section 22.35, *Higher-Priced Mortgage Loans*, have been updated to reflect these changes.

### HPML qualifying rate requirements for ARMs with Initial Periods of 7 or 10 years

For all HPMLs that are ARMs with Initial Periods of 7 or 10 years (i.e., 7/1, 10/1, 7/6-month and 10/6-month ARMs), the Borrower must be qualified using the greater of the Note Rate or the fully-indexed rate.

Sections 22.35, 30.16, *Underwriting Requirements*, and 30.18, *Other Information Related to ARMs*, have been updated to reflect this change.

Loan Prospector will be updated at a later date.

## ADDITIONAL INFORMATION

### Mortgages evaluated through Loan Prospector

Sellers acknowledge in Guide Exhibit 15, *Loan Prospector® User Agreement*, that Loan Prospector does not analyze compliance with laws, regulations or ordinances, or with any requirements imposed by a regulator. Sellers are solely responsible for determining whether a Mortgage processed through Loan Prospector complies with applicable laws and regulations, including the CFPB final rule.

### Representation and warranty framework reminder

The representation and warranty framework announced in Bulletin 2012-18 continues to apply to Mortgages delivered to Freddie Mac that meet the requirements of Section 6.14, *Enforcement of Representations and Warranties Related to Underwriting of the Borrower, Mortgaged Premises and Project*. At this time, we are not making any changes to the framework based on the CFPB final rule.

As a reminder, the representation and warranty framework only applies to the sections listed in the table in Section 6.14(a). For Guide provisions not listed, such as points and fees requirements, the Seller continues to be responsible for representations and warranties for the life of the loan.

As an additional reminder, Section 6.14(c) states that the Seller is responsible for compliance with all laws, regulations and orders for the life of the loan, including, but not limited to, ATR under the Truth-in-Lending Act and the CFPB final rule implementing those provisions. (See Sections 6.2, *Compliance with Applicable Law*, and 22.28, *Compliance with Law*.)

Within the context of the representation and warranty framework, Freddie Mac will adjust its quality control reviews as a result of the new eligibility requirements. Freddie Mac will communicate these changes in September.

### Government Mortgages

***(The language in bold print in this paragraph reflects a correction made on October 1, 2013 regarding government Mortgages that are eligible for sale to Freddie Mac.)*** Freddie Mac will continue to purchase government Mortgages that meet existing requirements as defined in Chapter 35, *Eligibility Requirements for Special Housing Initiatives*, provided they meet the new eligibility requirements in the "ATR covered Mortgages" **or "ATR exempt Mortgages"** section of this Bulletin.

Note: If FHA or other agency guidelines related to government mortgages are published that affect the CFPB final rule, we will evaluate the impacts to our requirements at that time.

### ULDD Data Points

We are continuing to assess potential new delivery data points as part of future Uniform Loan Delivery Dataset (ULDD) requirements that will help determine if Mortgages meet points and fees thresholds and the other new eligibility requirements. Any new ULDD Data Point requirements will not be included in Phase 2, and will be announced at a future date. As with all new ULDD requirements, we will provide Sellers with sufficient lead time to update their systems and processes for compliance with our requirements.

## NOTICE OF CHANGES TO NEGOTIATED PROVISIONS

Pursuant to Section 12.3(d), negotiated provisions in Master Agreements and/or Master Commitments are amended with effective dates as announced in this Bulletin.

## ADDITIONAL RESOURCES AND TRAINING MATERIALS

Additional resources related to the updated requirements referenced in this Bulletin can be found at our **Freddie Mac New Mortgage Eligibility Criteria** web page.

Sellers are also encouraged to visit **Freddie Mac's Learning Center** to view updated training materials supporting the changes outlined in this Bulletin.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 6, 9, 13, A13, B15, 17, 22, 24, A24, B24, C24, 27, 30, B33, F33, I33 and A34
- Exhibits 17S and 22
- Glossary

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-16 (Updates in Response to the CFPB Final Rule on Ability to Repay) Guide Updates Spreadsheet available at **http://www.freddiemac.com/sell/guide/spreadsheets.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

# Bulletin

**NUMBER: 2013-17**

**TO**: Freddie Mac Servicers September 16, 2013

## SUBJECTS

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin revises our **Servicing** requirements as follows:

- Increases certain State foreclosure time lines
- Announces the extension of the Freddie Mac Streamlined Modification ("Streamlined Modification")
- Updates the Guide to reflect the extension of the Home Affordable Modification Program (HAMP). With the extension of HAMP, we are:
  - Revising our eligibility requirements for proposed HAMP modifications that are submitted through the Treasury Net Present Value (NPV) Model
  - Retiring the annual Servicer "Pay for Success" incentive

## EFFECTIVE DATE

The changes announced in this Bulletin are effective immediately unless otherwise noted.

## STATE FORECLOSURE TIME LINES

### Effective for all foreclosure sales completed on or after September 1, 2013

We have increased the State foreclosure time lines by 30 days in Nevada, New Mexico and Washington. Guide Exhibit 83, *Freddie Mac State Foreclosure Time Lines*, has been updated to reflect these changes.

## STREAMLINED MODIFICATION EXTENSION

Under the Servicing Alignment Initiative (SAI), we are extending the Streamlined Modification to enable Servicers to continue to assist seriously delinquent Borrowers in avoiding foreclosure. With this extension, all Streamlined Modification Trial Period Plans must have effective dates on or before **December 1, 2015**. Guide Section B65.12.1, *Freddie Mac Streamlined Modification*, has been updated to reflect this extension.

## HAMP

### Extension

On May 30, 2013, Treasury, the Federal Housing Finance Agency and Freddie Mac announced the extension of HAMP. As a result of this extension, Section C65.4, *Eligibility*, has been updated to require that all HAMP modifications have Trial Period Plan Effective Dates on or before **March 1, 2016** and Modification Effective Dates on or before **September 1, 2016**.

### NPV requirements

Effective for all proposed HAMP modifications submitted through the Treasury NPV Model on or after **January 1, 2014**, a Mortgage that meets all other HAMP eligibility criteria in Guide Chapter C65, *Home Affordable Modification Program*, will be eligible for HAMP if the Treasury NPV test result is positive. A test result is considered positive when the NPV is $0 or greater. Sections C65.5.1, *Verification of Eligibility*, C65.6, *Underwriting the Borrower*, and C65.8, *Other General Requirements*, have been updated to reflect this change.

Servicers are reminded that if a Borrower is determined to be ineligible for a HAMP modification due to a negative NPV test result or any other eligibility criteria, the Servicer must consider that Borrower for other alternatives to foreclosure in accordance with the evaluation hierarchy provided in Section 64.6(a).

### Retirement of annual Servicer "Pay for Success" incentive

For HAMP-eligible Mortgages, Freddie Mac currently pays Servicers a "Pay for Success" incentive of up to $1,000 a year for three years. This Bulletin retires the annual Servicer "Pay for Success" incentive. Servicers will no longer be eligible to receive a "Pay for Success" incentive for any HAMP modifications with Modification Effective Dates on or after **April 1, 2014**. Servicers will continue to receive "Pay for Success" incentives for modifications with Modification Effective Dates before April 1, 2014, subject to existing requirements.

Sections A65.26, *Unemployment Forbearance*, C65.4, C65.7, *Modification Process*, and C65.9, *HAMP Incentives,* have been updated to reflect this change.

### Reminder: Borrower incentives for Mortgages that have been repurchased

In Bulletin 2013-10, we announced that, with respect to repurchases of Mortgages modified under HAMP or in a HAMP Trial Period Plan, Servicers are required to cancel the related record in the HAMP Reporting Tool.

As a reminder, under Sections C65.8 and C65.9, Freddie Mac has the right to recover all losses, costs and damages on repurchased Mortgages, including, without limitation, previously-paid incentives.

Freddie Mac pays Servicers "Pay for Performance" incentives to be posted to a Borrower's account only on eligible HAMP-modified Mortgages serviced on behalf of Freddie Mac. If a HAMP-modified Mortgage is repurchased, the Servicer takes all rights and obligations of the Mortgage, including the obligation to pay Borrower "Pay for Performance" incentives on eligible Mortgages as set forth in the HAMP Trial Period Plan. We have updated Sections C65.8 and C65.11, *HAMP Activity Reporting Requirements*, to reflect this existing Servicer obligation. Servicers must continue to comply with the Program Administrator's instructions on reporting and cancellation of repurchased Mortgages in the HAMP Reporting Tool.

## 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: 2013-18**

**TO**: Freddie Mac Sellers and Servicers September 24, 2013

## SUBJECTS

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin updates and revises our **selling and Servicing** requirements, including:

- Eliminating the California Condominium Unit Mortgages delivery fee
- Updating our requirements for fraud training and reporting

This Bulletin also updates and revises our **selling** requirements, including:

- Updating our asset documentation requirements, including the requirements for verification of large deposits
- Updating requirements for underwriting Borrowers on temporary leave
- Making the following updates related to Freddie Mac Relief Refinance Mortgages℠
  - Revising our eligibility requirements to permit a Restructured Mortgage to be refinanced as a Relief Refinance Mortgage – Same Servicer or Open Access. Such Relief Refinance Mortgages are eligible to be delivered to Freddie Mac through a flow Purchase Contract.
  - Stating that if the Mortgage being refinanced was considered for and/or received a Freddie Mac modification, the Mortgage is eligible to be refinanced as a Relief Refinance Mortgage – Same Servicer or Open Access
  - Removing requirements for Relief Refinance Mortgages – Same Servicer and Open Access with Application Received Dates before November 19, 2012 from the Guide. As a result, Guide Chapter C24, *Freddie Mac Relief Refinance Mortgages – Same Servicer with LTV Ratios Less than or Equal to 80%*, that applies only to Mortgages with Application Received Dates before November 19, 2012, and other applicable Guide requirements and references are being retired.
- Retiring Investor Feature Identifiers (IFIs) for temporary subsidy buydown Mortgages with special characteristics

In addition to the changes listed above, we are making further updates and revisions, as described in the "Additional Guide Updates" section of this Bulletin.

## EFFECTIVE DATE

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

## SELLING/SERVICING REQUIREMENTS

### California Condominium Unit Mortgage delivery fee eliminated

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

We are announcing the elimination of the California Condominium Unit Mortgages delivery fee in an effort to help streamline the process for delivering Mortgages secured by Condominium Units in California. We have updated Guide Exhibit 19, *Postsettlement Delivery Fees*, and removed the corresponding special delivery requirements for California Condominium Unit Mortgages in Guide Section 17.25, *Condominium Unit Mortgages*, and Exhibit 34, *Investor Feature Identifiers* to reflect this change.

We have updated Sections 42.8, *Condominium Appraisal and Underwriting Requirements*, 42.12, *Delivery Requirements*, and 58.6, *Mortgage Clause*, to remove the related processes for determining the amount of the fee.

We have also deleted Section 58.3.1, *Earthquake Insurance*, and Guide Form 465S, *Earthquake Insurance Analysis Addendum*, and updated Section 44.13, *Other Exhibits and Addenda*, and Directory 5 to reflect this change.

The Condominium Unit Mortgages delivery fee is not impacted by this change.

### Fraud training and reporting

**Effective October 1, 2013**

We are updating Chapters 7 and 57, each titled *Fraud Prevention, Detection and Reporting*, to reflect the following requirements:

- In addition to training employees, Seller/Servicers must train third-party vendors retained to perform functions relating to origination and Servicing of Mortgages as outlined in Sections 7.2 and 57.2, each titled *Prevention and Detection*
- Seller/Servicers must have written procedures for reporting fraud or possible fraud in connection with a Mortgage sold to or serviced for Freddie Mac
- Seller/Servicers must report to Freddie Mac when they first **know or suspect** an incident of fraud in connection with a Mortgage sold to or serviced for Freddie Mac, rather than when they have a reasonable belief of such an incident. Freddie Mac does not require a Seller/Servicer to perform an in-depth investigation prior to reporting fraud or possible fraud.

## SELLING REQUIREMENTS

### Asset documentation requirements

These requirements are effective for Mortgages with Settlement Dates on or after **March 1, 2014**, but Sellers are encouraged to implement them as soon as possible.

***Large deposits***

We are revising our requirements regarding verification of large deposits that appear on a Borrower's asset account statement. The Seller must document the source of funds for any single deposits exceeding 25% of the total monthly qualifying income for the Mortgage. The Seller must also document a deposit of any amount if there is any indication that the funds are borrowed. However, no additional action is required if the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file (e.g., tax refund amounts appearing on the tax returns in the file).

Sections 37.20, *General Requirements for Verifying Documents*, 37.22 *Streamlined Accept Documentation Requirements*, and 37.23, *Standard Documentation Requirements*, have been updated to reflect these changes.

***Direct verification of assets***

We are adding specific documentation requirements for direct verification of assets (i.e., Verification of Deposit form (VOD)) and updating our Streamlined Accept and Standard Accept documentation requirements accordingly.

Sections 37.20, 37.22 and 37.23 have been updated to reflect this change.

***Internal Revenue Service (IRS)-qualified employer retirement accounts used for reserves***

We are updating the Guide to require that in order to use the vested amount in an IRS-qualified employer retirement account as reserves, the file must contain documentation of the terms of the retirement plan that permit the Borrower to make withdrawals regardless of the Borrower's current employment status.

Sections 26.5, *Reserves*, 37.22 and 37.23 have been updated to reflect this change.

***Documentation requirements***

We are updating our requirements to state that only Borrower Funds and reserves used in the evaluation of the Mortgage must be documented. In addition, the Streamlined Accept and Standard Accept documentation requirements in Sections 37.22 and 37.23 are being updated to align with requirements for eligible sources of Borrower Funds in Chapter 26, *Borrower Funds*. Sellers should review Sections 37.20, 37.22 and 37.23 for complete asset documentation requirements.

Loan Prospector® feedback messages will be updated to reflect this change.

### Underwriting Borrowers on temporary leave

We are updating our requirements for determining qualifying income for Borrowers on temporary leave. We are also updating the documentation required for Borrowers on temporary leave.

Section 37.13(a)(vii), *Income While on Temporary Leave*, has been updated to reflect these changes.

### Relief Refinance Mortgages

***Restructured Mortgages***

We are revising our eligibility requirements to permit a Restructured Mortgage to be refinanced as a Relief Refinance Mortgage – Same Servicer or Open Access. Such Relief Refinance Mortgages are eligible to be delivered to Freddie Mac through a flow Purchase Contract.

Sections A24.3, B24.2 and C24.3 have been updated to reflect this change.

***Modifications***

We are updating the Guide to provide that if the Mortgage being refinanced was considered for and/or received a Freddie Mac modification, the Mortgage is eligible to be refinanced as a Relief Refinance Mortgage – Same Servicer or Open Access. The current contractual payment terms of the modified Mortgage must be used for the purpose of determining whether the Relief Refinance Mortgage – Same Servicer meets the Borrower benefit requirements of the offering.

Sections A24.3, B24.2 and C24.3 have been updated to reflect this clarification.

***Retirement of Chapter C24***

**Effective January 1, 2014**

We are retiring Chapter C24 as the requirements of this chapter apply only to Mortgages with Application Received Dates prior to November 19, 2012.

In addition, we are updating Sections 6.14, *Enforcement of Representations and Warranties Related to Underwriting of the Borrower, Mortgaged Premises and Project*, A24.1, *Overview*, A24.3, A24.4, *Delivery and Pooling Requirements*, B24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Open Access*, and Exhibit 34 to remove requirements and references specific to Relief Refinance Mortgages with Application Received Dates prior to November 19, 2012. As a result, Relief Refinance Mortgages with Application Received Dates prior to November 19, 2012 must have Freddie Mac

Settlement Dates before January 1, 2014. Sellers should continue following the requirements of Chapters A24 and B24, as applicable, for all Relief Refinance Mortgages with Application Received Dates on or after November 19, 2012.

### Temporary subsidy buydown Mortgage Investor Feature Identifiers

We are amending Section 17.23, *Subsidy Buydown Mortgages*, to no longer require the delivery of IFIs 206 and 207 for temporary subsidy buydown Mortgages with special characteristics. This change is also reflected on Exhibit 34.

## ADDITIONAL GUIDE UPDATES

### Acknowledgment Agreements

We are updating Sections 1.2 and 50.2, each titled *Legal Effect of the Single-Family Seller/Servicer Guide*, to remove references to Acknowledgment Agreements.

Freddie Mac continues to require its written consent for any transfer or pledge of the rights or interest of the Servicer under the Purchase Documents.

We have also revised the Glossary and Directory 1 to reflect this change.

### Credit report standards

We are updating our credit report standards to align with current industry practices to require that all credit and legal activity be reported for a minimum of seven years.

Section 37.10, *Credit Reports*, has been updated to reflect this change.

### Exhibit 28A, *Loan Servicing Purchase and Sale Agreement for the Servicing-Released Sales Process*

We have updated Exhibit 28A to reference the *Servicing Transfer Instructions User Guide*, which replaced the *Servicing Transfer Instructions*, for use with Cash Servicing Released commitments.

### Exhibit 5, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*

We have updated the authorized changes in Exhibit 5 to reflect revisions previously posted on our Uniform Instrument web page on FreddieMac.com at **http://www.freddiemac.com/uniform**. These changes include updates to Notes and Puerto Rico Security Instruments and updates to Maryland Deed of Trust, Form 3021, Dated 1/01 as it relates to refinance transactions.

### Loan limits for Mortgages with financed mortgage insurance premiums

We have updated Sections 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, and 27.1.1, *Mortgage Insurance Premiums*, to state that for Mortgages with financed mortgage insurance premiums, Sellers must determine compliance with the original loan amount limits using the original loan amount of the Mortgage inclusive of the amount of the financed mortgage insurance premium.

### Form 1207, *Mortgage Insurance Information Disclosure Agreement*

As announced in Bulletin 2013-15, in response to Seller/Servicer feedback and in order to provide greater clarity, Form 1207 has been updated to instruct Seller/Servicers to e-mail completed copies of the form to us at **MI_Questions@FreddieMac.com.** The form also now provides a designated field for Seller/Servicers to include the name of their institution.

### Exhibit 19

In addition to the changes referenced previously in this Bulletin, we have updated Exhibit 19 to remove outdated information and reflect changes announced in prior Bulletins.

### Glossary

We are amending the definition for a Restructured Mortgage to state that a Mortgage that received a Freddie Mac modification is not considered a Restructured Mortgage.

We are also removing several terms from the Glossary that are no longer referenced elsewhere in the Guide.

### Chapters 1 and 50

We have updated the information in the introduction to the Guide in Chapters 1 and 50, both titled *Introduction*, to more accurately reflect the current content, organization and audience of the Guide, as well as to make the two chapters more consistent where appropriate.

### Directory

In addition to the updates already mentioned, we are revising the Directory to remove outdated contact information and include additional contact information.

## TRAINING

Sellers and Servicers are encouraged to visit **Freddie Mac's Learning Center** for current information on Freddie Mac training programs and reference tools.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 1, 6, 7, 17, 23, A24, B24, C24, 26, 27, 37, 42, 44, 50, 57, 58 and 61
- Form 465S
- Exhibits 5, 19, 28A and 34
- Glossary
- Directories 1, 3, 5, 6, 7 and 8

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-18 (Selling and Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/sell/guide/spreadsheets.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

# Industry Letter

**To**: Freddie Mac Sellers and Servicers October 1, 2013

## SUBJECT: INFORMATION RELATING TO THE CFPB FINAL RULE ON ABILITY TO REPAY

On August 20, 2013, Freddie Mac issued *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2013-16, which announced its new purchase eligibility requirements in response to the final rule issued by the Consumer Financial Protection Bureau (CFPB) implementing the ability to repay provisions under the Truth-in-Lending Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("CFPB final rule").

At the direction of the Federal Housing Finance Agency, Freddie Mac and Fannie Mae have worked together to establish the new purchase eligibility requirements announced in Bulletin 2013-16. We also have worked together in an effort to align guidance on quality control practices and principles in response to the new purchase eligibility requirements.

This Industry Letter provides information on the following topics within the context of the new purchase eligibility requirements:

- Impacts to our quality control practices
- Points and fees
- Documentation and record retention

## QUALITY CONTROL PRACTICES

### No changes to quality control processes

Freddie Mac recognizes the challenges Sellers face in implementing the wide range of regulatory requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Additionally, we are aware that implementation of the points and fees thresholds described in the CFPB final rule may be particularly challenging for the mortgage finance industry. Accordingly, during an initial transitional period (the duration of which is uncertain), we are not making any changes to our quality control sampling methodology, review scope, documentation requirements or repurchase processes related to the purchase eligibility requirements announced in Bulletin 2013-16.

### Transitional repurchase practices

During the initial transitional period, Freddie Mac will not issue repurchase requests related to the new points and fees eligibility requirements described in Bulletin 2013-16 unless a court, regulator, or other authoritative body determines that the Mortgage fails to meet the applicable points and fees threshold in the CFPB final rule.

Consistent with current practices, Freddie Mac will issue a repurchase request if a Mortgage is found to be a high-cost Mortgage under the Home Ownership and Equity Protection Act of 1994 (HOEPA), as amended, or under any of the 14 State anti-predatory lending laws specified in Guide Section 22.18.1, *State Anti-Predatory Lending Laws and Regulations.*

In addition, we will issue a repurchase request if we determine through established delivery or quality control review processes that any Mortgage has ineligible term or amortization provisions.

Further, we will issue a repurchase request if a court, regulator or other authoritative body determines that a lender originated a Mortgage without determining the Borrower's ability to repay as required under Regulation Z.

### On-site operational reviews

As part of our regular on-site operational reviews, we may require that Seller/Servicers provide evidence of origination and process controls that are designed to support compliance with the points and fees eligibility requirements.

### Future changes to quality control process

After the initial transitional period, Freddie Mac may implement additional quality control measures relating to the new points and fees eligibility requirements. As always, we will announce the scope and timing of any changes before implementing them.

In the meantime, information about our current postfunding quality control processes, including our quality control sampling methodology and anti-predatory lending compliance sampling process, can be found in our September 11, 2012 and October 19, 2012 Industry Letters.

## POINTS AND FEES

### Compliance with CFPB final rule and State laws

Freddie Mac recognizes the complexities in implementing the CFPB final rule, including the definition and calculation of points and fees. We encourage Sellers to review the resources and guidance provided by the CFPB on its **regulatory implementation page** and to stay informed on further clarifications that the CFPB may issue on these matters.

Some States have adopted rules and regulations that may be more restrictive than the CFPB final rule. As required by the Guide, in originating Mortgages for sale to Freddie Mac, Sellers must comply with all applicable laws.

### Treatment of Freddie Mac delivery fees

As noted in Bulletin 2013-16, Sellers may decide to recover the costs of delivery fees from the Borrower by including some or all of the delivery fees in the interest rate and/or by passing some or all of these delivery fees through to the Borrower by including the fees on the closing settlement statement. Including delivery fees in the interest rate may impact whether a Mortgage is a Higher-Priced Mortgage Loan. Passing through delivery fees to the Borrower on the closing settlement statement may impact whether a Mortgage meets the applicable thresholds for points and fees and it could also impact the annual percentage rate (APR).

As a reminder, it is the Seller's responsibility to comply with applicable requirements to determine the total amount of points and fees and APR consistent with our eligibility requirements.

### Withdrawal of prior guidance

In light of the CFPB final rule, some of the direction we provided in our February 12, 2009 Industry Letter on anti-predatory lending requirements is no longer operative. Accordingly, we are withdrawing the guidance contained in the "Excessive Points and Fees" section (including the "Charges Included in the Points and Fees Calculation" and "Charges Excluded from the Points and Fees Calculation" subsections) and the "Pass-Through of Freddie Mac Delivery Fees" section of that Industry Letter, including the instructions on bona fide discount points.

## DOCUMENTATION AND RECORD RETENTION

At this time, we are not requiring our Seller/Servicers to maintain any additional documentation in the Mortgage file beyond those required in Sections 47.1, *Mortgage File*, and 52.1, *Contents*. Additionally, we are not making any changes to our record retention requirements at this time, and the document retention requirements in Guide Chapter 52, *Mortgage File Retention*, continue to be applicable. However, since a Borrower may assert the lender's noncompliance with the ability to repay provisions of the CFPB final rule as a defense to a foreclosure action, Seller/Servicers may need to demonstrate their compliance with the new eligibility requirements long after the loan origination. For this reason, Freddie Mac recommends that Seller/Servicers retain in their Mortgage files all materials that might be necessary to document compliance with the new eligibility requirements.

## 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

# Bulletin

**NUMBER: 2013-19**

**TO**: Freddie Mac Sellers and Servicers October 7, 2013

## SUBJECT: GUIDANCE RELATED TO THE FEDERAL GOVERNMENT SHUTDOWN

This Bulletin provides temporary guidance and notifies Sellers and Servicers of temporary changes to certain requirements in the *Single-Family Seller/Servicer Guide* ("Guide") to assist Borrowers who have been impacted by the federal government shutdown ("shutdown") that began on October 1, 2013.

In addition, we are reminding Servicers of forbearance options currently available in the Guide to assist impacted Borrowers.

## EFFECTIVE DATE

This guidance is effective **October 8, 2013** and assumes that the shutdown will be temporary. The temporary guidance will terminate when the federal government resumes full operations. It supersedes any other temporary guidance previously communicated that relates to Freddie Mac requirements and the shutdown.

Freddie Mac will continue to monitor the situation and may revise or revoke this temporary guidance if the shutdown extends for a prolonged period of time.

## SELLER GUIDANCE

### Mortgages eligible for sale to Freddie Mac

Mortgages made to government employees and other workers directly impacted by the shutdown are eligible for sale to Freddie Mac, including when the Borrower is not receiving pay at the time the Mortgage is delivered to Freddie Mac (for example, the Borrower is on furlough or is exempt from the furlough status but is experiencing an interruption in pay due to the shutdown), provided that:

- All Freddie Mac income and employment documentation requirements of the Seller's Purchase Documents are met, including the requirement that a written or verbal verification of employment (VOE) is obtained no more than 10 days before the Note Date or after the Note Date but prior to the Delivery Date;
- The Seller has no knowledge that the Borrower will not be returning to work after the shutdown ends; and
- All other requirements of the Seller's Purchase Documents are met

Note: With respect to the requirements for a written or verbal VOE, our information indicates that verification of employment for government employees can often be obtained from a third-party service provider that continues to provide VOEs for government employees, including those on furlough.

### Processing of Internal Revenue Service (IRS) Form 4506-T

We require IRS Form 4506-T, *Request for Transcript of Tax Return*, as applicable, to be *signed* by the Borrower prior to closing; we do not require that this form be *processed* by the IRS prior to closing. However, we require that the actual Form 4506-T information be obtained as part of a Seller's in-house quality control program.

The shutdown should not impact a Seller's ability to comply with these requirements.

## SERVICER GUIDANCE

Servicers are reminded of the forbearance options that are currently available in the Guide to assist government employees and other workers directly impacted by the shutdown, including:

- Short-term forbearance
- Short-term unemployment forbearance
- Extended unemployment forbearance

Refer to Guide Sections A65.20, *Short-Term Forbearance Requirements*, A65.27, *Short- Term Unemployment Forbearance*, and A65.28, *Extended Unemployment Forbearance,* and related Guide sections for additional information.

Solely for purposes of the shutdown, although the Borrower may remain employed, government employees and other workers directly impacted by the shutdown and not receiving pay (for example, the Borrower is on furlough or is exempt from furlough status but is experiencing an interruption in pay due to the shutdown) are eligible for short-term and long-term unemployment forbearance as long as the Borrower meets all other eligibility requirements.

### Credit suppression for Borrowers impacted by the shutdown

Servicers must not report Borrowers who are on a forbearance plan as a result of the shutdown to the credit repositories.

### Late charges

If a Borrower enters into a forbearance agreement, Servicers are reminded that they must not accrue or collect late charges from the Borrower during the short-term forbearance period, or any subsequent repayment plan period, if the Borrower is paying as stipulated in the applicable agreement.

### FHA/VA and Rural Housing Service (RHS) Mortgages

Servicers of FHA, VA and RHS Mortgages should look to the requirements issued by those government agencies during the shutdown.

### Processing of IRS Forms 4506T-EZ and 4506-T

Section 65.18, *Borrower Income Documentation*, requires that, in certain circumstances, a Servicer that is evaluating a Borrower for a workout option must submit the Borrower's executed IRS Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript*, or IRS Form 4506-T, as applicable, to the IRS for processing. In the event the Servicer is unable to obtain a tax transcript from the IRS through electronic processing of an executed Form 4506T-EZ or 4506-T, the Servicer must obtain a copy of the Borrower's most recent federal income tax return, when required.

## CONCLUSION

We appreciate the understanding and consideration that Freddie Mac Seller/Servicers extend to Borrowers coping with the hardships imposed by the shutdown.

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: 2013-20**

**TO**: Freddie Mac Sellers and Servicers October 8, 2013

## SUBJECTS

### Property valuation information

On January 18, 2013 the Consumer Financial Protection Bureau (CFPB) released its final rule on the disclosure of copies of appraisals and other written valuations under the Equal Credit Opportunity Act. This final rule revises Regulation B to require creditors to proactively provide applicants for credit with free copies of all appraisals and other written valuations developed in connection with an application for credit.

Today Freddie Mac makes available to Seller/Servicers various tools and systems that provide estimates of property value generated by Freddie Mac's proprietary automated property valuation model, Home Value Explorer® (HVE®). These property value estimates can help Seller/Servicers identify potentially inflated appraised values that may need additional review early in the origination process and also can be used to determine property values for Freddie Mac modifications or Freddie Mac Relief Refinance Mortgages℠. Additionally, Seller/Servicers can obtain Broker Price Opinions (BPOs) through Freddie Mac's BPOdirect®, which also can be used to determine property values for Freddie Mac modifications and other foreclosure alternatives.

We will continue to provide property valuation estimates to assist Seller/Servicers. However, we are aware that use of the valuation information we provide through these tools and systems may impact Seller/Servicers' obligation to comply with the revised valuation disclosure requirements.

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin provides information on enhancements to the tools and systems we make available, together with updates to our Guide requirements related to disclosure of property valuation information. Additionally, in the course of reviewing and revising our requirements related to the use of HVE data, we identified other changes related to the use of property valuation data and are updating the Guide to reflect those changes.

### Extension of effective date for third-party vendor fraud training requirements

In Bulletin 2013-18 we announced new requirements for Seller/Servicers to train third-party vendors in each applicable area of their mortgage business about fraud-related matters. In order to allow additional time for Seller/Servicers to comply, we are changing the effective date of such requirement to **April 1, 2014**.

The other changes to Chapters 7 and 57, each titled *Fraud Prevention, Detection and Reporting*, relating to fraud reporting requirements announced in Bulletin 2013-18 became effective on October 1, 2013. See Sections 7.3 and 57.3, each titled *Reporting Requirements*, for more information.

## EFFECTIVE DATE

Unless otherwise noted, all of the changes announced in this Bulletin are effective as of the date the Seller/Servicer provides Freddie Mac's valuation information to loan applicants or Borrowers pursuant to the CFPB's final rule on disclosure of appraisal and valuations.

## SELLER GUIDANCE AND REQUIREMENTS

### Use of HVE property valuation data

Today Sellers may receive HVE property valuation data directly from Freddie Mac or through an authorized distributor or reseller. The sections below provide details about updates regarding the use of HVE property valuation data provided directly by Freddie Mac.

***Exhibit 32, Terms Relating to Use of Data Generated by Home Value Explorer®***

**Effective immediately**

Freddie Mac provides HVE data directly to Sellers, electronically and by other means. Sellers may also access HVE point value estimates for Relief Refinance Mortgages on the Loan Prospector® Feedback Certificate or through the Loan Prospector browser by using the "Look-Up HVE Value" tool for Relief Refinance Mortgages – Same Servicer. The terms and conditions relating to use of data generated by HVE are set forth in Guide Exhibit 32, *Terms Relating to Use of Data Generated by Home Value Explorer®*. Exhibit 32 also applies to Loan Prospector Users that receive HVE values (e.g., on the Loan Prospector Feedback Certificate). Other terms and conditions also apply to the use of Loan Prospector and Loan Prospector Feedback Certificates. See Guide Section 2.20, *Loan Prospector User Agreement*.

We have updated Exhibit 32 to revise our restrictions on how and under what conditions Seller/Servicers can disclose HVE data to loan applicants or Borrowers.

***Loan Prospector***

As noted above, HVE point value estimates can be accessed through Loan Prospector. Loan Prospector Feedback Certificates currently provide HVE valuation data together with non-HVE valuation-related data. Freddie Mac will be adding language to the Feedback Certificate that includes a disclaimer and clarifies that Freddie Mac is the provider of the property value estimate, that the data was generated through the use of HVE and that the lender may have used a different property value to make the credit decision. We will also provide supporting text for use in situations where an appraisal is required or is not required for the lender's credit decision. The supporting text will include a reference to a new consumer web page that Freddie Mac is developing where Borrowers will be able to find information about Freddie Mac property valuation data.

Until Loan Prospector is updated to include the supporting text, Sellers and other Loan Prospector Users should refer to our new **Using Freddie Mac Property Valuation Data** web page for information when a Seller is providing valuation information to loan applicants or Borrowers.

For system-to-system users, we are providing two additional options:

- Sellers can find instructions on our **Using Freddie Mac Property Valuation Data** web page that include guidance on the specific HVE property valuation data fields to be extracted from the other Loan Prospector data as well as supporting text, including reference to our new consumer web page. This will allow Sellers to customize the disclosure of valuation information that is provided to loan applicants or Borrowers if they choose this approach.
- Freddie Mac will be publishing a valuation style sheet that will provide technical instructions to allow Sellers to update their systems to isolate the HVE property valuation data for use when sharing with loan applicants or Borrowers. System-to-system users will be notified when this new valuation style sheet is available.

  Note: This will not replace the existing Loan Prospector Feedback Certificate, but instead will be an additional option when the Seller provides Freddie Mac valuation information to loan applicants or Borrowers.

Finally, Sellers that access HVE point value estimates using the "Look-Up HVE Value" tool for Relief Refinance Mortgages – Same Servicer should include the supporting text located on our **Using Freddie Mac Property Valuation Data** web page when providing the HVE data to loan applicants or Borrowers.

### *Uniform Collateral Data Portal® (UCDP®)*

In the UCDP, Freddie Mac provides Sellers with proprietary property valuation information and messaging from HVE.

In the future, Freddie Mac will be modifying a feedback message to clarify that the provider of the property value estimate is Freddie Mac and that the data was generated through the use of HVE and does not indicate Freddie Mac's acceptance or rejection of the property or appraisal report submitted to the UCDP. The supporting text will also include a reference to our new consumer web page where Borrowers will be able to find information about Freddie Mac property valuation data.

Until the feedback message is updated in the UCDP, Sellers should include the pertinent supporting text located on our **Using Freddie Mac Property Valuation Data** web page if UCDP reports containing valuation information are provided to applicants or Borrowers.

For system-to-system users that choose to extract data for customized disclosure purposes, it is their responsibility, in conjunction with their legal and compliance resources, to determine whether and to what extent they are required to disclose data found within the UCDP. If a Seller discloses Freddie Mac's valuation data in a customized disclosure form, the Seller should refer to our **Using Freddie Mac Property Valuation Data** web page for the supporting text and data field definitions that should be provided to loan applicants or Borrowers as part of the Seller's obligation to comply with the revised valuation disclosure requirements.

### Relief Refinance Mortgages – HVE documentation requirements

**Effective immediately**

We are revising the HVE documentation requirements to provide more flexibility. We no longer require a defined format for HVE point value estimate documentation; however, a Seller must be able to provide such documentation to Freddie Mac upon request to evidence compliance with the HVE requirements.

Guide 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%,* have been updated to reflect this change.

## SERVICER GUIDANCE AND REQUIREMENTS

### BPOdirect

Servicers may determine the value of the Mortgaged Premises by obtaining an Auto Value (HVE point value estimate) or BPO through BPOdirect. BPOdirect is only offered via a graphical user interface (GUI). Servicers also may receive HVE property valuation data through an authorized distributor or reseller.

### *Auto Value*

An Auto Value (HVE point value estimate) is available in BPOdirect. We will update the screen that contains the Auto Value with supporting text for use when the Auto Value is provided to a Borrower as part of a Servicer's obligation to comply with the revised valuation disclosure requirements. The supporting text will include a reference to our new consumer web page where Borrowers will be able to find information about Freddie Mac property valuation data.

Until BPOdirect is updated with the supporting text, Servicers should include the disclosure language located on our **Using Freddie Mac Property Valuation Data** web page when providing this valuation information to Borrowers.

Servicers should also review the revisions to Exhibit 32 relating to how and under what conditions Servicers can disclose HVE data.

### *BPOs*

BPOs are available in BPOdirect. In the future, we will update the BPOs provided through BPOdirect with supporting text for use when the property valuation information is provided to Borrowers (including a reference to our new consumer web page).

Until BPOdirect is updated, Servicers should include the supporting text located on our **Using Freddie Mac Property Valuation Data** web page when providing this valuation information to Borrowers.

### Providing valuation data to Borrowers

We have updated the Guide to require Servicers to provide valuations and any pertinent notices as required under applicable law, regardless of whether it is the Servicer, Freddie Mac or both that makes an evaluation decision for a relief or workout option. When Freddie Mac participates in the evaluation decision, the Servicer will be required to send the valuation on behalf of Freddie Mac. The methods by which the Servicer may provide this valuation to the Borrower are described in Section 65.39, *Obtaining a Property Value*.

### Mortgaged Premises valuation requirements for modifications

We are revising our Mortgaged Premises valuation requirements for Home Affordable Modification Program (HAMP) modifications, Freddie Mac Standard Modifications and Freddie Mac Streamlined Modifications as follows:

- Revising the property valuation documentation requirements
- Requiring Servicers to either obtain a property valuation from one of Freddie Mac's HVE distributors or through the BPOdirect web site at **https://www.bpodirect.com/**
- Expanding eligibility of the HVE property valuation option to include 2-unit properties
- Discontinuing the Automated Valuation Model (AVM) special report that is currently available on Freddie Mac's web site at **http://www.freddiemac.com/singlefamily/service/mha_modification.html**

We also are updating the Guide to emphasize that property valuation information must be maintained and accurate information must be submitted when obtaining a property valuation through BPOdirect or HVE and that Servicers must use an automated property valuation (Auto Value (HVE)) in BPOdirect when one is available.

Sections B65.16, *Property Valuation Requirements*, and C65.6(e), *Property Valuation Requirements,* have been updated to reflect these changes.

## ADDITIONAL RESOURCES AND TRAINING

Sellers and Servicers can find additional resources regarding these changes at our new **Using Freddie Mac Property Valuation Data** web page.

Sellers and Servicers are also encouraged to visit **Freddie Mac's Learning Center** for current information on related Freddie Mac training programs and reference tools.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 7, A24, B24, C24, 57, 65, B65 and C65
- Exhibit 32

## 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: 2013-21**

**TO**: Freddie Mac Servicers October 11, 2013

## SUBJECT: UPDATES IN RESPONSE TO THE CFPB MORTGAGE SERVICING FINAL RULE

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin updates certain **Servicing** requirements in response to the Consumer Financial Protection Bureau (CFPB) final rules implementing the Mortgage Servicing provisions of the Real Estate Settlement Procedures Act and the Truth-in-Lending Act, as amended by Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (collectively, the "Mortgage Servicing final rule"). The updated Servicing requirements relate to:

- Early intervention and communication with delinquent Borrowers
- Alternatives to foreclosure and right of appeals
- Foreclosure referral and foreclosure suspension
- Error resolution

Certain updates are specific only to Mortgages secured by Primary Residences and Mortgages subject to a new right of appeals process, while other updates apply to all Mortgages, regardless of occupancy type. Servicers are encouraged to review all applicable revised Guide sections in their entirety to ensure compliance with the changes announced in this Bulletin.

## EFFECTIVE DATE

All of the changes announced in this Bulletin are effective for Servicing activities completed on or after **January 10, 2014**.

## BACKGROUND

The CFPB issued the Mortgage Servicing final rule, which generally requires Servicers to establish policies and procedures regarding the designation of personnel to contact Borrowers who fall behind on their Mortgage payments and to work with those Borrowers on available loss mitigation options.

At the direction of the Federal Housing Finance Agency (FHFA), Freddie Mac and Fannie Mae have worked together in an effort to align Servicing requirements being updated in response to the Mortgage Servicing final rule.

## SERVICING REQUIREMENTS FOR DELINQUENT MORTGAGES THAT ARE SECURED BY PRIMARY RESIDENCES

We have added new Guide Chapter 63, *Delinquency Management for Mortgages Secured by Primary Residences*, to provide Servicing requirements applicable only to Mortgages secured by Primary Residences, including requirements relating to a new appeals process for such Mortgages when the First Complete Borrower Response Package is received on or after January 10, 2014. Chapter 63 also provides requirements relating to collection efforts, Borrower communications and foreclosure postponement.

In addition, we are providing revised model clauses in Guide Exhibit 93, *Evaluation Model Clauses,* which complement the changes required for Borrower communication under the new appeals process.

New and updated Servicing requirements in Chapter 63 include the following:

- Evaluation and communication requirements for the Borrower right of appeal. The new requirements provide that a Borrower may appeal the denial of a Trial Period Plan based on the evaluation of the First Complete Borrower Response Package that was submitted 90 or more days before a scheduled foreclosure sale date or prior to a foreclosure sale date being scheduled. Refer to Guide Section 63.3, *Evaluation Requirements and Appeals Process in Response to the First Complete Borrower Response Package*, for these requirements and Exhibit 93 for updated evaluation model clauses.
- Revised foreclosure referral requirements. As updated, the requirements provide that Mortgages secured by Primary Residences must be referred to foreclosure no earlier than 151 days from the Due Date of Last Paid Installment (DDLPI) (121st day of Delinquency) and no later than five Business Days after the 121st day of Delinquency, unless applicable law or one of the exceptions set forth in Section 66.9.1, *When to Refer a Mortgage to Foreclosure*, permits earlier referral. For these Mortgages, the Servicer may no longer refer to foreclosure or take the first legal action in the foreclosure process any earlier than the 121st day of Delinquency unless applicable law or one of the exceptions set forth in Section 66.9.1 permits earlier referral. If the Servicer determines that the Mortgaged Premises securing a Mortgage is no longer the Borrower's Primary Residence (e.g., abandoned, serving as a second home or an investment property, etc.), the Servicer must refer the Mortgage to foreclosure once the breach letter has expired. Refer to Sections 63.2, *Collection Efforts*, and 66.9.1.
- New foreclosure suspension obligations with respect to the First Complete Borrower Response Package. If a First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale date or prior to a foreclosure sale date being scheduled, Servicers must delay taking the first legal action, or if the first legal action has been taken, they must delay motion for judgment or order of sale unless certain conditions apply. Refer to Sections 63.4, *Foreclosure Suspension Obligations Once the First Complete Borrower Response Package is Received*, and 66.41, *Complete Borrower Response Packages Received after Referral to Foreclosure*, for comprehensive requirements. However, existing foreclosure suspension requirements set forth in Section 66.41 still apply to Mortgages that are not secured by Primary Residences as well as Mortgages secured by Primary Residences with a complete Borrower Response Package submitted after the First Complete Borrower Response Package.

## SERVICING REQUIREMENTS FOR ALL MORTGAGES

New requirements applicable to all Mortgages include the following:

- Elimination of the use of a loss mitigation tool for the purpose of delaying the initial Borrower Solicitation Package required to be sent by the 35th day of Delinquency. Servicers are now required to send an initial Borrower Solicitation Package as early as the 31st day and no later than the 35th day of Delinquency. Servicers may continue to use a loss mitigation tool for purposes of managing calling campaigns. Refer to Sections 63.2 and 64.5, *Collection Efforts*.
- Servicers must acknowledge in writing to the Borrower receipt of the Borrower Response Package within five Business Days of its receipt. Servicers must also provide any other disclosure with the acknowledgement as required under applicable law. Refer to Section 64.6(d), *Communications with the Borrower*.

- Replacement of our current case escalation requirements with error resolution requirements applicable to any Servicing error asserted by a Borrower. Refer to Section 51.5.1, *Error Resolution Procedures*.
- Revision to disaster-related forbearance plan requirements to provide that a complete Borrower Response Package must be obtained when the Borrower is being considered for and offered a forbearance plan exceeding six months in length. If a Borrower is unable to provide a complete Borrower Response Package at the end of the initial six months of disaster-related forbearance, the Servicer may offer a successive disaster-related forbearance plan up to six months in length, but not to exceed 12 months of disaster-related forbearance in aggregate. Refer to Section 68.4, *Delinquency Management Activities*.

## ADDITIONAL SERVICING REQUIREMENT REVISIONS

### Pre-foreclosure referral requirements

We are revising our pre-foreclosure referral review requirements to provide that Servicers may complete their pre-referral review within 15 days prior to foreclosure referral. Servicers were previously required to complete this review no later than seven days prior to the foreclosure referral. We are revising this requirement in Section 66.9, *Pre-Referral Account Review*, to grant additional time for a Servicer to verify that it made every attempt to achieve quality right party contact in accordance with Section 64.4, *Establishing Borrower Contact*, and that the Borrower response period has expired for any approved payment arrangement or pending alternative to foreclosure offer.

In addition, we are eliminating the requirement in Section 66.9.1 that Servicers postpone foreclosure referral for up to 10 days if a substantially complete Borrower Response Package is received.

### Long-term forbearance requirements

We are revising our long-term forbearance requirements to redefine the period of time that constitutes long-term forbearance as provided in Section A65.22, *What is Long-Term Forbearance*. Currently, long-term forbearance is described as reduced or suspended monthly payments for a period of four to 12 months from the date of the agreement between the Servicer and Borrower (or estate). We are revising this period to six to 12 months from the date of the written agreement. Section A65.22 has been updated to reflect this change.

## COMPLIANCE WITH APPLICABLE LAWS

Although Freddie Mac has revised its Servicing requirements in response to the Mortgage Servicing final rule, a Servicer should not assume that compliance with Freddie Mac Servicing requirements will ensure that the Servicer is in compliance with the Mortgage Servicing final rule. Servicers are reminded that under Section 53.8, *Compliance with Applicable Law*, they are required to comply with all applicable federal, State and local laws, including, without limitation and as amended, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act (ECOA) and the Truth-in-Lending Act, and their implementing regulations.

## REMINDER: BULLETIN 2013-20

Servicers should review Bulletin 2013-20 for updates to our requirements in response to the CFPB's final rule on the disclosure of copies of appraisals and other written valuations under ECOA. This final rule revises Regulation B to require creditors to proactively provide applicants for credit with free copies of all appraisals and other written valuations developed in connection with an application for credit. In Bulletin 2013-20, we added a requirement for Servicers to provide notices and copies of appraisals and other written valuations on behalf of Freddie Mac, when Freddie Mac may be acting as a co-creditor in a transaction subject to ECOA (e.g., exception requests for a modification).

## ADDITIONAL RESOURCES AND TRAINING MATERIALS

Additional resources related to the updated requirements referenced in this Bulletin can be found at the **Freddie Mac New Mortgage Servicing Requirements** web page.

To help Servicers understand the new and revised requirements announced in this Bulletin, we encourage registration in the **Bulletins 2013-20 & 2013-21: Servicing Updates in Response to the CFPB's Mortgage Servicing Rules** webinar.

Servicers are also encouraged to visit **Freddie Mac's Learning Center** to view updated training materials supporting the changes announced in this Bulletin.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 51, 63, 64, A65, 66 and 68
- Exhibit 93
- Directory 5
- Glossary

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-21 (Updates in Response to the CFPB Mortgage Servicing Final Rule) Guide Updates Spreadsheet available at **http://www.freddiemac.com/sell/guide/spreadsheets.html**.

## 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: 2013-22**

**TO**: Freddie Mac Servicers October 18, 2013

## SUBJECTS

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin updates and revises our **Servicing** requirements, including:

### Foreclosure

- Updating our requirements for conducting foreclosures in Freddie Mac's name involving Freddie Mac-owned or guaranteed Mortgages
- Revising our requirements for vesting the title after a foreclosure sale when the property is not purchased by a third party

### Property preservation and reimbursement for abandoned properties

- Adding new expense codes and limits
- Introducing new per unit pricing requirements
- Updating our yard maintenance and winterization requirements
- Updating our requirements for the reimbursement of vacant property registration fees

### Additional Guide updates

In addition to the changes listed above, we are making further updates and revisions, as described in the "Additional Guide Updates" section of this Bulletin.

## EFFECTIVE DATE

The changes announced in this Bulletin are effective immediately unless otherwise noted.

## FORECLOSURE

### Foreclosing in Freddie Mac's name

We have updated Guide Section 66.17, *Foreclosing in the Servicer's Name*, to provide guidance on when the Servicer may instruct foreclosure counsel to conduct the foreclosure in Freddie Mac's name.

Foreclosures must normally be processed or litigated in the Servicer's name. If applicable law precludes the Servicer from conducting the foreclosure in its own name because the Servicer owns or services a subordinate Mortgage on the Mortgaged Premises, then the Servicer may, without obtaining prior written approval, instruct the foreclosure counsel to conduct the foreclosure in Freddie Mac's name. In such circumstances, the Servicer must notify Freddie Mac within two Business Days of the Servicer's determination to foreclose in Freddie Mac's name, and record the basis of the decision in the Mortgage file. When a Servicer conducts the foreclosure in Freddie Mac's name, the Servicer is not permitted to have the same foreclosure counsel represent the Servicer or another lien holder in the same proceeding.

Directory 5 has been updated to reflect this change.

### Vesting the title after a foreclosure sale

We have updated Section 66.54, *Vesting the Title and Avoiding Transfer Taxes*, to provide guidance on when a Servicer may vest the title in the Servicer's name after the foreclosure sale.

For conventional Mortgages, the Servicer must ensure that the title to the property is vested in Freddie Mac's name (if the property is not purchased by a third party), unless it is in Freddie Mac's best interest to have the title to the property vested in the Servicer's name after the foreclosure sale, and then have the title to the property transferred to Freddie Mac via quitclaim deed.

The Servicer must record in the Mortgage file the decision to vest the title in the Servicer's name and the basis for its decision.

### Additional foreclosure updates

***Executing documents***

We have updated Section 66.60, *Executing Documents*, to state how Servicers should request Freddie Mac's execution of a document for the Servicer to process the foreclosure, or execute a document related to a foreclosure sale. Servicers are reminded that when submitting these requests, they must include all supporting documentation in addition to the document Freddie Mac needs to execute, which may include, but is not limited to, the last recorded document in the chain of title.

We have additionally updated Directory 5 to reflect that documents requested for Freddie Mac to execute (which must be sent along with Guide Form 105, *Multipurpose Loan Servicing Transmittal*) must be submitted to us via e-mail at Foreclosures@Freddiemac.com.

***Foreclosure sale bidding***

We have updated Section 66.46, *Failure to Bid Appropriately*, to state that Freddie Mac may require a Servicer to indemnify Freddie Mac for any loss Freddie Mac incurs related to incorrect bidding at the foreclosure sale.

## PROPERTY PRESERVATION

**Effective March 15, 2014, unless otherwise noted**

We have made extensive updates to our property preservation requirements and reimbursement limits for abandoned properties securing Freddie Mac Mortgages. Guide Exhibit 57, *1-to 4-Unit Property Approved Expense Amounts*, and, as applicable, Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*, have been updated to reflect the changes described below.

### New expense codes and expense limits

In recognition of the varied types of preservation work that our Servicers and their vendors may undertake at abandoned properties, we are adding 36 new property preservation expense codes, 28 of which will be available in the Freddie Mac Reimbursement System ("Reimbursement System") starting **October 22, 2013**. The remaining eight expense codes will be added to the system in a future enhancement, prior to the March 15, 2014 effective date. Servicers are encouraged to begin implementing the revised property preservation requirements in this Bulletin on October 22, 2013, if they are able to do so. To facilitate the early adoption of the new requirements, we have provided Servicers with a list in Exhibit 57 of eight current expense codes that Servicers may use as equivalent substitutes for the eight expense codes that are not included in the October 22, 2013 Reimbursement System enhancement.

The new expense codes:

- Replace expense codes that were previously broadly defined, such as expense code 090001 (Securing), with more specific expense codes, including 090028 (Securing (Knob Locks)) and 090019 (Securing (Padlocks))
- Include expense items for preservation work generally approved by Freddie Mac through the request for pre-approval (RPA) process that had not previously been listed in Exhibits 57 or 74

The added expense codes and associated expense limits listed in Exhibit 57 should provide Servicers with greater specificity in the types of preservation efforts expected of Servicers on abandoned properties securing Freddie Mac Mortgages, and, consistent with Freddie Mac's commitment to fighting neighborhood blight, should also provide Servicers the ability to more proactively address property preservation issues as they arise.

### Expense item unit pricing

We are introducing new pricing requirements for property preservation expense items listed in Exhibit 57. The pricing requirements identify the per unit cost (unit price) that Freddie Mac finds to be reasonable for each applicable property preservation work type. By adhering to these requirements Servicers should be able to make greater use of their reimbursement limits and thereby eliminate unnecessary requests to Freddie Mac for pre-approval. Freddie Mac recognizes, however, that there may be valid conditions, such as an increase in the cost of materials associated with disaster-affected areas, under which Servicers (or their vendors) may be unable to complete needed preservation work within the new unit pricing requirements. In such instances, Servicers may proceed with completing needed preservation work without submitting an RPA if:

- Servicers obtain a comparable second estimate for the needed preservation work; and
- The lower of the two estimates is within the applicable expense limit

The needed preservation work must then be completed for the lesser of the two bids and both estimates must be retained in the Mortgage file.

### Cost Estimator-generated bids as second estimates

**Effective immediately**

We will accept bids generated by industry-accepted Cost Estimator applications as second estimates as long as those estimates are comparable to the applicable contractor-generated first estimate. Where consistent with guidelines outlined in the preceding section of this Bulletin and as the expense item unit pricing and expense codes are available, Servicers may use Cost Estimator-generated bids when determining whether to exceed the unit pricing requirement for a property preservation expense item.

### Yard maintenance and winterization requirements

We have revised our yard maintenance and winterization requirements to more accurately reflect the respective seasons in each State.

### Vacant property registration fees

We are no longer requiring Servicers to submit an RPA for reimbursement of vacant property registration (VPR) fees for Mortgaged Premises that are not subject to Sections 13-12-125, 126, 127 and 135 of the Municipal Code of the City of Chicago ("Chicago Vacant Property Ordinance"). Servicers can instead request VPR fee reimbursement approval for these Mortgaged Premises directly through the Reimbursement System's claims process. For Mortgaged Premises subject to the Chicago Vacant Property Ordinance, Servicers should follow the VPR fee reimbursement requirements set forth in Bulletin 2012-5 and Exhibit 59, *City of Chicago, Illinois Vacant Property Ordinance Expense Codes*.

## ADDITIONAL GUIDE UPDATES

### Condominium, homeowners association (HOA) and Planned Unit Development (PUD) assessments in super lien States

**Effective October 22, 2013**

In Bulletin 2013-15, we announced that we would no longer limit the reimbursement of condominium, HOA and PUD assessments advanced in super lien States, in accordance with the requirements set forth in Section 66.29, *Expenses that May Become First Liens on the Property*, to six months; we would instead limit the reimbursable amount to the lowest of:

- The actual amount in regular assessments advanced by the Servicer
- The maximum amount in regular assessments that, per the project declaration or bylaws, would take priority over the Mortgage
- The maximum amount in regular assessments that, per applicable State statute, would take priority over the Mortgage

As a reminder, in accordance with the requirements set forth in Section 71.18, *Reimbursement of Condominium, HOA and PUD Fees, Assessments and Ground Rent*, this amount must not include any late fees, interest, collection expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable law.

In Bulletin 2013-15, we further advised that when a Servicer has advanced more than six months of applicable assessments, in order to receive reimbursement, the Servicer must submit an RPA for assessments covering the seventh month or later of regular assessments. However, as a result of enhancements to the Reimbursement System, beginning October 22, 2013, the submission of an RPA for such requests will no longer be necessary. Servicers may instead submit requests for the reimbursement of any applicable assessments directly through the Reimbursement System's claims process.

### Second tax penalty incurred on a non-escrowed Mortgage in the State of California

**Effective November 1, 2013**

We currently reimburse the Servicer for the first tax penalty incurred on a non-escrowed Mortgage that goes to foreclosure on the condition that the Servicer has complied with the requirements of Guide Chapter 59, *Escrow and Prepayments*.

In certain circumstances, Servicers may not be notified of unpaid property taxes on a non-escrowed Mortgage in the State of California until the second tax penalty was assessed. As a result, Servicers may end up incurring the cost of the second tax penalty for which they are not reimbursed.

This Bulletin updates Sections 71.14, *Reimbursement of Taxes*, and 71.24, *Non-Reimbursable Expenses*, to provide that we will reimburse the Servicer for a second tax penalty incurred on a delinquent non-escrowed Mortgage in the State of California only in cases in which the Servicer was not notified of the delinquent taxes until the second penalty was assessed and the Servicer has complied with the requirements of Chapter 59.

Exhibit 74 has been updated to provide new expense code 074006 (Second Tax Penalty (CA only)), which Servicers must use when submitting a reimbursement claim request for a second tax penalty on a non-escrowed Mortgage in the State of California.

### Real Estate Owned (REO) rollback requests

We have created Form 106, *REO Rollback Request Form*, for Servicers to complete and submit to us when facilitating REO rollback transactions. Form 105 may no longer be submitted for these requests.

### Updates to Form 105

We have updated Part E of Form 105 to allow for additional text to be entered into this section. Servicers should utilize this updated form when submitting applicable requests to Freddie Mac.

### Reporting requirements

***Reporting requirements for full reinstatements***

We have updated Section A65.10, *Reporting and Processing the Reinstatement*, to align our reporting requirements for full reinstatements with our Electronic Default Reporting (EDR) quick reference guide.

***Reporting repayment plans entered into as a result of an Eligible Disaster***

We are updating our requirements for reporting repayment plans when a Borrower has been impacted by an Eligible Disaster. Servicers must report, via an EDR transmission, default action code 12 for repayment plans entered into as a result of an Eligible Disaster. Section 68.5, *Disaster Reporting Requirements*, has been updated to reflect this requirement.

### Contract noncompliance and contract change compensatory fees

We have revised Section 78.51, *Contract Noncompliance and Contract Change Compensatory Fees*, to reflect that the compensatory fees we will assess when we must perform database corrections for non-performing loan data will appear on the Servicer's Non-Performing Loans Invoice. Compensatory fees for all other database corrections will continue to appear on the Servicer's Performing Loans monthly Servicer Billing Statement.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters A65, 66, 68, 71 and 78
- Forms 105 and 106
- Exhibits 57 and 74
- 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
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# Bulletin

**TO: Freddie Mac Sellers and Servicers** November 15, 2013 | 2013-23

## SUBJECTS

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin updates and revises our **selling and Servicing** requirements, including:

- Withdrawing the requirement for Seller/Servicers to train third-party vendors about fraud-related matters announced in Bulletin 2013-18
- Announcing the availability of Quality Control Information Manager (QCIM)
- Reminding Seller/Servicers of certain requirements for Mortgages secured by properties with an outstanding Property Assessed Clean Energy (PACE) or PACE-like obligation (either referred to as a PACE obligation)
- Providing additional details about compliance with applicable laws

This Bulletin also updates and revises our **selling** requirements, including:

- Updating payment history verification requirements for Manually Underwritten Mortgages
- Announcing that the eligibility requirements applicable to Higher-Priced Mortgage Loans (HPMLs) that were announced in Bulletin 2013-16 in response to the Consumer Financial Protection Bureau (CFPB) final rule implementing the ability to repay provisions are applicable to higher-priced covered transactions (as defined in the CFPB final rule) and not solely to HPMLs
- Updating certain requirements for Freddie Mac Relief Refinance Mortgages℠
- Updating our requirements for verifying tax information for Borrowers with income derived from sources in Puerto Rico, Guam and the U.S. Virgin Islands
- Clarifying signature requirements for Security Instruments

In addition to the changes listed above, we are making further updates to our selling requirements, as described in the "Additional Guide Updates" section of this Bulletin.

## EFFECTIVE DATE

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

## SELLING/SERVICING REQUIREMENTS

### Fraud training

In Bulletins 2013-18 and 2013-20, we announced and extended the implementation deadline for new fraud training requirements for third-party vendors. In order to fully assess Seller/Servicer feedback and to refine the details of this requirement, we are withdrawing the requirement until further notice.

Guide Sections 7.2 and 57.2, each titled *Prevention and Detection*, have been updated to reflect this change.

### Quality Control Information Manager (QCIM)

Freddie Mac is announcing the availability of QCIM, a secure web-based application that enables Seller/Servicers to manage performing and non-performing Mortgages through the quality control (QC) process. QCIM provides Seller/Servicers with direct and timely access to the status of QC loan file requests and all Freddie Mac repurchase and other remedy requests.

With the availability of QCIM, we are adding Section 2.26, *Quality Control Information Manager*, and Guide Exhibit 38, *Quality Control Information Manager Agreement*. The exhibit outlines the Seller/Servicer's responsibilities while using QCIM and supersedes any other QCIM terms of use document signed by the Seller/Servicer. Each Seller/Servicer using QCIM, by virtue of such use, will be deemed to have agreed to the terms and conditions set forth in Exhibit 38.

### Reminder: Mortgages secured by properties with a PACE obligation

Since 2010, the Federal Housing Finance Agency (FHFA) has taken the position that energy retrofit programs, such as PACE programs, which permit the imposition of a First Lien priority, "pose unusual and difficult risk management challenges for lenders, servicers and Mortgage securities investors," and change customary lending priorities. In Bulletin 2010-20, we announced our requirements regarding PACE obligations that provide for First Lien priority. With Bulletin 2011-2, we updated Guide Chapters 24, *Refinance Mortgages*, and B24, *Freddie Mac Relief Refinance Mortgages℠ – Open Access*, to reflect the additional requirements applicable to refinance of Mortgages purchased by Freddie Mac before July 6, 2010 that are secured by properties subject to an energy retrofit loan originated before July 6, 2010 that provides for First Lien priority.

As a reminder, except for Relief Refinance Mortgages – Open Access originated in accordance with the requirements of Section 24.9*, Requirements for Refinance of Mortgages Secured by Properties Subject to an Energy Retrofit Loan*, Freddie Mac will not purchase Mortgages secured by properties subject to PACE obligations that provide for First Lien priority. Further, Seller/Servicers are responsible for monitoring State and local laws to determine whether a jurisdiction has a PACE program that provides for First Lien priority. In States or localities with PACE and PACE-like programs that provide for First Lien priority but require a "non-object" determination by the mortgagee, Seller/Servicers are required to object to the encumbrance of any Mortgage owned by Freddie Mac.

### Compliance with applicable laws

We are updating Sections 6.2 and 53.8, each titled *Compliance with Applicable Laws*, to state that Seller/Servicers cannot assume that because they comply with all applicable Freddie Mac requirements, that they therefore comply with all applicable federal, State and local laws, ordinances, regulations and orders. In light of recent agency regulations which impose obligations on Seller/Servicers that overlap with Freddie Mac requirements, Freddie Mac is reminding Seller/Servicers that they must take steps to ensure that they have fully evaluated, and complied with, all legal obligations as well as all obligations in Freddie Mac Purchase Documents.

## SELLING REQUIREMENTS

### Verification of payment history

The following changes are effective for Mortgages with Settlement Dates on or after **April 1, 2014**; however, Sellers are encouraged to implement them as soon as possible.

We are updating our requirements for verification of payment history for Manually Underwritten Mortgages.

We are consolidating the documentation requirements for Tradelines, housing references and other Noncredit Payment References to provide consistency, eliminate redundancy and give Sellers additional guidance to ensure that required documentation is appropriate for the reference type. The changes include:

- Permitting the use of depository statements to document the Borrower's rental payment history (in addition to currently permitted canceled checks and receipts issued by the creditor)
- Requiring that, if the verification of a Noncredit Payment Reference on the credit report or direct verification is provided by a source other than a professional business, the Mortgage file must also include other documentation supporting the payment history
- Requiring that, if the Seller obtains canceled checks, receipts issued by the creditor or depository statements to document the Borrower's payment history, the Mortgage file must also contain documentation substantiating the terms of the debt
- Adding a requirement that receipts issued by the creditor are an acceptable form of documentation of payment history only when the payments were made in cash and there is no evidence in the Mortgage file indicating that payments were made by checks or direct bank transfers

Sellers should review Sections 37.4, *Establishing Borrower Credit Reputation*, 37.11, *Verification of Payment History*, and 37.20, *General Requirements for Verifying Documents*, for complete requirements.

## Higher-priced covered transactions

### Effective for Mortgages with Application Received Dates on or after January 10, 2014

In Bulletin 2013-16, we announced certain new eligibility requirements applicable to HPMLs, in response to the final rule of the Consumer Financial Protection Bureau (CFPB) implementing the ability to repay provisions under the Truth-in-Lending Act (TILA), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("CFPB final rule"). Those eligibility requirements relate to Relief Refinance Mortgages and the qualifying rate for ARMs with Initial Periods of 7 or 10 years. In this Bulletin, we are announcing that those eligibility requirements are now applicable to higher-priced covered transactions (as defined in the CFPB final rule) and not solely to HPMLs. We are making these changes because an HPML is a mortgage loan secured by a principal dwelling, whereas a higher-priced covered transaction may be secured by a principal dwelling, a second home, or it may be an investor loan (not otherwise exempt from TILA), in each case with an annual percentage rate that exceeds the applicable rate spread specified in Regulation Z. The amended requirements, effective for Mortgages with Application Received Dates on or after January 10, 2014, are detailed below.

#### *Relief Refinance Mortgages*

All higher-priced covered transactions, as defined in Regulation Z, 12 C.F.R. 1026.43(b), that are Relief Refinance Mortgages – Same Servicer and Open Access must meet requirements that include, but are not limited to, the following:

- Minimum Indicator Score of 620
- Maximum debt payment-to-income ratio of 45%
- Verification of income source and amount

For Relief Refinance Mortgages – Open Access that are higher priced covered transactions, Sellers must confirm that these requirements are met, regardless of the Loan Prospector® Risk Class.

Sellers should review Sections A24.3, *Requirements for Freddie Mac Relief Refinance Mortgages*[SM] *– Same Servicer,* A24.4, *Delivery and Pooling Requirements*, and B24.3, *Requirements for Freddie Mac Relief Refinance Mortgages*[SM] *– Open Access*, for complete requirements.

***Qualifying rate requirements for ARMs with Initial Periods of 7 or 10 years***

For all higher-priced covered transactions, as defined in Regulation Z, 12 C.F.R. 1026.43(b), that are ARMs with Initial Periods of 7 or 10 years (i.e., 7/1, 10/1, 7/6-month and 10/6-month ARMs), the Borrower must be qualified using the greater of the Note Rate or the fully-indexed rate.

Section 30.16, *Underwriting Requirements*, has been updated to reflect this change. Loan Prospector will be updated at a later date.

## Relief Refinance Mortgages

***Eligibility date***

**Effective October 27, 2013**

As announced in our Single-Family Update e-mail on October 22, 2013, in order to make eligibility more transparent to Borrowers, we have revised our requirements for Relief Refinance Mortgages – Same Servicer and Open Access to provide that the eligibility of the Mortgage being refinanced is based on the Note Date instead of the Settlement Date. This includes Mortgages originated under the Home Affordable Refinance Program (HARP). The Mortgage being refinanced must have a Note Date on or before May 31, 2009.

Sections A24.3, B24.2, *Eligibility Requirements, Eligible Mortgages and Ineligible Mortgages*, and C24.3, *Requirements for Freddie Mac Relief Refinance Mortgages*[SM] *– Same Servicer with LTV Ratios Less than or Equal to 80%*, have been updated to reflect this change.

***Land trusts***

We are updating Sections A24.3 and C24.3 to confirm that Mortgages secured by property in which the legal and equitable title is held by a land trust are eligible to be refinanced as Relief Refinance Mortgages – Same Servicer.

## Requirements for verification of tax information for Borrowers with income from Puerto Rico, Guam and the U.S. Virgin Islands

We are updating our requirements relating to verification of tax information for Borrowers with income derived from sources in Puerto Rico, Guam and the U.S. Virgin Islands that are exempt from federal income taxation under the Internal Revenue Code.

Sellers should review revised Sections A24.3, B24.3, C24.3, 37.13, *Stable Monthly Income and Asset Qualification Sources*, 37.22, *Streamlined Accept Documentation Requirements*, 37.23, *Standard Documentation Requirements* and 48.5, *Reverifications Made by Seller*, for complete requirements.

## Signature requirements

In response to Sellers' questions, we are clarifying that the Security Instrument must be signed by all individuals with an ownership interest in the Mortgaged Premises. Sellers should review Section 37.24, *Signatures Required,* for complete details.

## ADDITIONAL GUIDE UPDATES

### Construction Conversion and Renovation Mortgages

In Bulletin 2013-11, we updated Section 2.2.1, *Introduction to Loan Prospector®*, to permit Sellers to resubmit Mortgages to Loan Prospector after the Note Date or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages. With this Bulletin, we are updating Section K33.10, *Underwriting*, to reflect these resubmission requirements. In addition we are eliminating requirements that are no longer applicable, such as those for Initial Interest Mortgages, which we no longer purchase, and are removing requirements from Section K33.10 that were duplicative of requirements included in Section 2.2.1.

### Home Possible® Mortgages

We are updating Section A34.2, *Defined Terms*, to remove the reference to money order receipts as they are not a permissible type of documentation of payment history.

### Home Ownership and Equity Protection Act of 1994 (HOEPA) updates

We are deleting the reference to HOEPA in Section F33.3, *Underwriting Financed Permanent Buydown Mortgages*. As stated in Section 22.33, *HOEPA Mortgages*, Mortgages that exceed the thresholds under HOEPA and its implementing regulations are ineligible for purchase by Freddie Mac.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 6, 7, A24, B24, C24, 30, F33, K33, A34, 37, 48, 53 and 57
- Exhibit 38

## 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

**TO: Freddie Mac Servicers** November 25, 2013 | 2013-24

## SUBJECTS

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin updates and revises our **Servicing** requirements as follows:

- Updating our eligibility requirements for exceptions to Borrower documentation for short sales and deeds-in-lieu of foreclosure ("DIL")
- Updating the Guide to specify that Servicers are not delegated to approve a short sale or DIL when the Borrower's Cash Reserves exceed $50,000
- Revising our short sale and DIL processing and foreclosure suspension requirements
- Revising our Borrower Response Package (BRP) review requirements for short sales
- Updating our Trial Period Plan requirements

In addition, we are reminding Servicers of the retirement of Investor Accounting Manager℠ (IAM).

## EFFECTIVE DATE

The changes announced in this Bulletin are effective **January 10, 2014** unless otherwise noted.

## SHORT SALES AND DILS

### Streamlined Short Sales and Streamlined Deeds-in-Lieu of Foreclosure

To be eligible for a short sale or DIL, a Servicer must obtain and review a complete BRP. However, we currently permit exceptions to these Borrower documentation requirements for short sales in Guide Section B65.37(a) and for DILs in Section B65.44(a) when the Borrower is 90 days or more delinquent and has a FICO® score below 620 as of the evaluation date.

The following revisions to the eligibility requirements for exceptions to Borrower documentation for short sales and DILs were developed and adopted under the direction of the Federal Housing Finance Agency (FHFA), and are part of the Servicing Alignment Initiative (SAI):

- Permitting a Borrower whose Mortgage debt has been discharged in a Chapter 7 Bankruptcy to be eligible for an exception to Borrower documentation, regardless of the Borrower's FICO score
- Removing Mortgages that were originated as Investment Properties from eligibility for an exception to Borrower documentation. The Servicer must obtain and review a complete BRP in order to evaluate the Borrower for a short sale or DIL if the Borrower's Mortgage was originated as an Investment Property.

Additionally, we now refer to a short sale that meets the requirements for exception to Borrower documentation requirements in Section B65.37(a) as a "Streamlined Short Sale" and a DIL that meets the requirements for exception to Borrower documentation requirements in Section B65.44(a) as a "Streamlined Deed-in-Lieu of Foreclosure."

Sections B65.1, *Introduction*, B65.3, *Chapter Contents*, B65.4, *Approval Authority*, B65.37 and B65.44, each titled *Borrower Documentation*, and B65.37.1 and B65.44.1, each titled *Borrower Contributions and Relocation Assistance*, have been revised to reflect these changes.

These changes are effective **February 1, 2014**; however Servicers are encouraged to implement them sooner if they are operationally able to do so.

**Borrower contribution**

As stated in Sections B65.37.1 and B65.44.1, the Servicer must submit a Borrower contribution request for a short sale or DIL to Freddie Mac for review when the Servicer has determined that the Borrower's Cash Reserves exceed $50,000. We are updating Sections B65.36, *Short Sale Eligibility Requirements and Servicer Approval Authority*, and B65.43, *Deed-in-Lieu of Foreclosure Eligibility Requirements and Servicer Approval Authority*, to reflect that Servicers are not delegated to approve a short sale or DIL when the Borrower's Cash Reserves exceed $50,000; Servicers must submit a short sale or DIL recommendation for these Borrowers to Freddie Mac for review.

This change is effective **February 1, 2014**; however Servicers are encouraged to implement this change sooner if they are operationally able to do so.

**Processing and foreclosure suspension**

In Bulletin 2013-21, at the direction of FHFA and as part of our aligned effort with Fannie Mae, we revised certain Servicing requirements in response to the Consumer Financial Protection Bureau's (CFPB) Mortgage Servicing final rule, as defined in Bulletin 2013-21. In this Bulletin, we are adding requirements in response to the Mortgage Servicing final rule that describe the actions a Servicer must take when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale and the evaluation of that First Complete Borrower Response Package results in an offer to proceed with a short sale or DIL.

In such circumstances, the Servicer must ensure that foreclosure counsel delays filing the first legal action, the motion for judgment or order of sale, or if the motion has been filed, request the court to delay a hearing or ruling as permitted under State or local law, for up to 30 days for the Servicer to review the First Complete Borrower Response Package and notify the Borrower of the short sale or DIL decision.

***Short sales***

Section 63.4, *Foreclosure Suspension Obligations Once the First Complete Borrower Response Package is Received*, has been updated to reflect the Servicer's obligations with respect to foreclosure suspension in cases where the Borrower is offered a short sale. These obligations include:

- Delaying filing the first legal action, the motion for judgment or order of sale, or foreclosure sale while the Servicer reviews a First Complete Borrower Response Package
- Allowing time for the Borrower to submit a purchase offer
- Allowing time for settlement when the short sale is approved

In addition, we have reduced the time for a Servicer to review a complete BRP from a maximum of 60 to a maximum of 30 days for consistency with other review time frames.

### *DILs*

We have revised our requirements to provide that when an evaluation of the First Complete Borrower Response Package results in an offer for a DIL and the Borrower accepts that offer, the Servicer must delay the next legal action in the foreclosure process for up to 60 days from the date the Borrower accepted the offer to complete the DIL transaction.

If the Servicer is unable to complete the DIL transaction in 60 days, the Servicer will be allocated an additional 30 days to execute the DIL; however it must not delay the next legal action during the additional 30-day period.

If the Borrower was previously approved for a short sale and transitioned to a DIL because the short sale transaction was not successful, the Servicer must not delay the next legal action while it completes the DIL. In this case, the Servicer must comply with the Borrower communication and execution requirements in Section B65.46, *Borrower Communication and Execution Time Lines*, that apply to non-Primary Residences and any complete BRP received after the First Complete Borrower Response Package.

Sections 63.4, B65.39, *Communication Time Lines*, and B65.46 have been updated to reflect these changes to our processing and foreclosure suspension requirements for short sales and DILs. In addition we are eliminating the "Standard Short Sale – Foreclosure Sale Date Scheduled" model clause as well as revising existing short sale and DIL model clauses in Guide Exhibit 93, *Evaluation Model Clauses*, to reflect these changes.

### BRP reviews for short sales

We are eliminating the requirement in Sections 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, and 66.41, *Complete Borrower Response Packages Received after Referral to Foreclosure*, that Servicers conduct an expedited review when a complete BRP with a short sale purchase offer has been received greater than 37 days prior to a scheduled foreclosure sale date. However, Servicers must continue to expedite a review of a complete BRP received between 37 and 15 days prior to a scheduled foreclosure sale date.

## TRIAL PERIOD PLANS

In Bulletin 2013-21, in response to the CFPB Mortgage Servicing final rule, we announced new evaluation and communication requirements related to the Borrower's right of appeal when the Borrower is denied a Trial Period Plan based on the Servicer's evaluation of the First Complete Borrower Response Package.

We have updated Section 63.3, *Evaluation Requirements and Appeals Process in Response to the First Complete Borrower Response Package*, to provide additional instructions to the Servicer on how to proceed with Trial Period Plans when the Borrower does not accept the initial offer until after receiving the appeal decision.

## REMINDER: RETIREMENT OF INVESTOR ACCOUNTING MANAGER (IAM)

Effective November 15, 2013, IAM was retired. The retirement of IAM was first announced in Bulletin 2013-10; however the original retirement date was extended.

With the retirement of IAM, Servicers are only able to access investor accounting reports through the Freddie Mac Service Loans application ("Service Loans application"). Current authorized users of the Service Loans application (i.e., those with a User ID and password from Freddie Mac) are not impacted and automatically have access to the reports that were migrated from IAM to the Service Loans application.

Servicers that do not have access to the Service Loans application are asked to visit the **Service Loans Application Resource Center** for instructions on how to register. Choose one of the user roles that provides access to the "Report" tab. (For example, to only retrieve, view and print reports, enroll the user as a "Read Only Analyst" in the Service Loans application.)

## TRAINING

Servicers should visit the **Learning Center** web page for Servicing training information and training resources.

## 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
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# Bulletin

**TO: Freddie Mac Sellers** November 26, 2013 | 2013-25

## SUBJECT: 2014 LOAN LIMITS

In line with the Federal Housing Finance Agency (FHFA) announcement today regarding 2014 loan limits, Freddie Mac is announcing that its base conforming loan limits and high-cost area loan limits will remain at the existing 2013 levels with the exception of some counties where the high-cost area loan limits will increase.

For Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2014, the base conforming loan limits ($417,000 for 1-unit properties in the contiguous United States) and the maximum loan limits for high-cost areas will remain at the current levels.

As a reminder, the Housing and Economic Recovery Act of 2008 (HERA) provides the formula for FHFA to determine the loan limits for high-cost areas. The HERA terms specify that the maximum allowable limit for high cost areas must not exceed $625,500 for a 1-unit single-family property in the contiguous United States, although actual loan limits for a specific high-cost area may be lower than the maximum permitted amount.

In all instances, the loan limits for 2- to 4-unit properties and Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands are higher.

Sellers must review the 2014 loan limits permitted for a specific county, which FHFA makes available on its web site at **http://www.fhfa.gov/Default.aspx?Page=185**.

## REVISIONS TO THE GUIDE

We have updated Guide Section 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchase*s, to reflect the 2014 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, 2014 and on or before December 31, 2014.

## 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

Laurie Redmond
Vice President
Offerings Effectiveness

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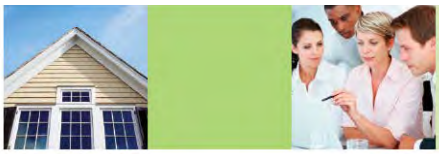

# Bulletin

**TO: Freddie Mac Sellers** December 16, 2013 | 2013-26

## SUBJECT: CHANGES TO POSTSETTLEMENT DELIVERY FEES

On December 9, 2013, the Federal Housing Finance Agency (FHFA) directed Freddie Mac to:

- Raise its guarantee fees by 10 basis points for all single-family Mortgages
- Increase certain risk-based postsettlement delivery fees ("delivery fees") on single-family Mortgages
- Eliminate the 25 basis point Market Condition delivery fee, except in four States

Sellers can review the press release issued by FHFA announcing these changes at:
**http://www.fhfa.gov/webfiles/25871/Gfeeincreaserelease120913final.pdf**

As a result, this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin announces:

- The elimination of the Market Condition delivery fee, except for Mortgages secured by Mortgaged Premises located in the States of Connecticut, Florida, New Jersey and New York
- An increase in Indicator Score/Loan-to-Value (IS/LTV) delivery fee rates

The 10 basis point guarantee fee adjustment will be handled through individual contract amendments with our Sellers. We will implement a commensurate change in our Cash program pricing.

Additionally, we are making several changes to our buyup and buydown terms.

## EFFECTIVE DATES

The changes announced in this Bulletin are effective for Mortgages with Settlement Dates on or after **April 1, 2014**, except for the guarantee fee changes.

The guarantee fee changes are effective for Guarantor and Multilender settlements on or after **April 1, 2014** and the commensurate price change for Mortgages delivered under the Cash program is effective for commitments entered into on or after **March 1, 2014**.

## MARKET CONDITION DELIVERY FEE

We are eliminating the Market Condition delivery fee for Mortgages we purchase, except for Mortgages secured by Mortgaged Premises located in Connecticut, Florida, New Jersey and New York.

Guide Section 23.4, *Maximum LTV, TLTV and HTLTV Ratios*, and Guide Exhibit 19, *Postsettlement Delivery Fees*, have been updated as a result of this change.

## INDICATOR SCORE/LOAN-TO-VALUE DELIVERY FEE

We are increasing IS/LTV delivery fee rates by varying amounts, ranging from no change to 150 basis points. These delivery fee rate changes will apply to all Mortgages subject to IS/LTV delivery fees, including Freddie Mac Relief Refinance Mortgages℠, which continue to be subject to the Relief Refinance Mortgage Delivery Fee Cap specified in Exhibit 19.

We are also modifying the IS/LTV grids to add specific cells covering the following ranges:

- LTV ratios that are:
  - Greater than 85% and less than or equal to 90%
  - Greater than 90% and less than or equal to 95%
  - Greater than 95% (Relief Refinance Mortgages only)
- Credit scores that are:
  - Equal to or greater than 740 and less than 760
  - Equal to or greater than 760 and less than 780
  - Equal to or greater than 780 and less than 800
  - Equal to or greater than or 800

The grid below reflects the revised delivery fee rates for specific credit score and LTV ratio combinations for Mortgages other than Relief Refinance Mortgages. The added cell ranges are highlighted.

| INDICATOR SCORE / LOAN-TO-VALUE FOR MORTGAGES OTHER THAN RELIEF REFINANCE MORTGAGES<br>Effective for Settlements on or after April 1, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Product** | **Credit Score** | **LTV Ratios** | | | | | | |
| | | **All Eligible** | | | | | | |
| | | **≤ 60%** | **> 60% & ≤ 70%** | **> 70% & ≤ 75%** | **> 75% & ≤ 80%** | **> 80% & ≤ 85%** | **> 85% & ≤ 90%** | **> 90% & ≤ 95%** |
| **All Eligible Product** | **≥ 800** | 0.00% | 0.25% | 0.25% | 0.50% | 0.75% | 0.75% | 0.75% |
| | **≥ 780 & < 800** | 0.00% | 0.25% | 0.25% | 0.50% | 0.75% | 0.75% | 0.75% |
| | **≥ 760 & < 780** | 0.00% | 0.25% | 0.25% | 0.75% | 1.00% | 1.00% | 1.00% |
| | **≥ 740 & < 760** | 0.00% | 0.25% | 0.50% | 0.75% | 1.50% | 1.50% | 1.50% |
| | **≥ 720 & < 740** | 0.00% | 0.25% | 1.00% | 1.25% | 1.50% | 2.00% | 2.00% |
| | **≥ 700 & < 720** | 0.00% | 0.75% | 1.50% | 1.75% | 2.00% | 2.25% | 2.25% |
| | **≥ 680 & < 700** | 0.25% | 0.75% | 2.25% | 2.50% | 2.50% | 2.50% | 2.50% |
| | **≥ 660 & < 680** | 0.25% | 1.25% | 2.25% | 2.75% | 3.25% | 2.75% | 2.75% |
| | **≥ 640 & < 660** | 0.75% | 1.50% | 2.75% | 3.25% | 3.50% | 3.00% | 3.00% |
| | **≥ 620 & < 640** | 0.75% | 1.75% | 3.25% | 3.25% | 3.50% | 3.50% | 3.50% |
| | **< 620** | 0.75% | 1.75% | 3.25% | 3.25% | 3.50% | 3.50% | 3.50% |

The grid below reflects the revised delivery fee rates for specific credit score and LTV ratio combinations for Relief Refinance Mortgages. The added cell ranges are highlighted.

| INDICATOR SCORE / LOAN-TO-VALUE FOR RELIEF REFINANCE MORTGAGES<br>Effective for Settlements on or after April 1, 2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Product | Credit Score | LTV Ratios | | | | | | | |
| | | All Eligible | | | | | | | |
| | | ≤ 60% | > 60% & ≤ 70% | > 70% & ≤ 75% | > 75% & ≤ 80% | > 80% & ≤ 85% | > 85% & ≤ 90% | > 90% & ≤ 95% | > 95% |
| All Eligible Product | ≥ 800 | 0.00% | 0.25% | 0.25% | 0.50% | 0.50% | 0.50% | 0.50% | 0.25% |
| | ≥ 780 & < 800 | 0.00% | 0.25% | 0.25% | 0.50% | 0.50% | 0.50% | 0.50% | 0.25% |
| | ≥ 760 & < 780 | 0.00% | 0.25% | 0.25% | 0.75% | 0.75% | 0.75% | 0.75% | 0.25% |
| | ≥ 740 & < 760 | 0.00% | 0.25% | 0.50% | 0.75% | 1.25% | 1.25% | 1.25% | 0.25% |
| | ≥ 720 & < 740 | 0.00% | 0.25% | 1.00% | 1.25% | 1.00% | 1.50% | 1.50% | 0.25% |
| | ≥ 700 & < 720 | 0.00% | 0.75% | 1.50% | 1.75% | 1.50% | 1.75% | 1.75% | 0.75% |
| | ≥ 680 & < 700 | 0.25% | 0.75% | 2.25% | 2.50% | 2.00% | 2.00% | 2.00% | 1.00% |
| | ≥ 660 & < 680 | 0.25% | 1.25% | 2.25% | 2.75% | 2.75% | 2.25% | 2.25% | 2.00% |
| | ≥ 640 & < 660 | 0.75% | 1.50% | 2.75% | 3.25% | 3.00% | 2.50% | 2.50% | 2.50% |
| | ≥ 620 & < 640 | 0.75% | 1.75% | 3.25% | 3.25% | 3.00% | 3.00% | 3.00% | 3.00% |
| | < 620 | 0.75% | 1.75% | 3.25% | 3.25% | 3.00% | 3.00% | 3.00% | 3.00% |

Exhibit 19 has been updated to reflect these changes.

## BUYUP AND BUYDOWN TERMS

We are making several changes to our buyup and buydown terms and related Guide text, in part to better align with current processes and usage.

We are updating the Guide to:

- Eliminate the buyup and buydown option under the WAC ARM Guarantor Program
- Revise the maximum buydown limit to be subject to Purchase Contract terms
- Remove several outdated links to buyup/buydown grids

Sections 11.11, *Remittance and Buyup/Buydown Options*, 12.8, *Buyup, Buydown Options*, B15.10, C15.10, and D15.10, each titled *Buyup/Buydown Options*, C15.1, *Overview*, and 17.2, *Provisions for the Payment of Fees and Proceeds and Application of Delivery Fee Credits*, have been updated to reflect these changes.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 11, 12, B15, C15, D15, 17 and 23
- Exhibit 19

## 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 Delivery.”

Sincerely,

Laurie Redmond
Vice President
Offerings Effectiveness

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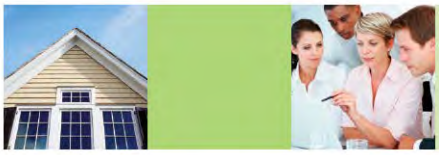

# Bulletin

**TO: Freddie Mac Servicers** December 18, 2013 | 2013-27

## SUBJECTS

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin includes the following updates and revisions to our **Servicing** requirements:

### Foreclosure and Alternatives to Foreclosure

- Revising certain foreclosure requirements, including those related to foreclosure sale bidding
- Revising the eligibility requirements for Freddie Mac Standard Modifications ("Standard Modifications") and Freddie Mac Streamlined Modifications ("Streamlined Modifications") to include Mortgages with pre-modification mark-to-market loan-to-value (MTMLTV) ratios less than 80%
- Revising disaster-related forbearance requirements when quality right party contact (QRPC) has not been achieved
- Revising the requirements for the Capitalization and Extension Disaster Relief Modification ("Disaster Relief Modification") with respect to the determination of the modification terms
- Updating the Guide to indicate that there are two distinct evaluations for determining a Borrower contribution for a short sale or deed-in-lieu of foreclosure (DIL) for a Borrower who is 31 or more days delinquent
- Adding a new Freddie Mac Service Loans application ("Service Loans application") user role for obtaining valuations for short sales

### Lender-Placed Insurance

- Revising our requirements for Lender-Placed Insurance (LPI) and adding a definition for this term to the Glossary

In addition to the topics listed above, we are providing further updates, as described in the "Additional Guide Updates and Reminders" section of this Bulletin.

## EFFECTIVE DATE

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

## FORECLOSURE

**Effective for all foreclosure sales occurring on or after March 17, 2014 unless otherwise noted**

### Bidding at foreclosure sale

Servicers will no longer be required to prepare a foreclosure sale bid, referred to as a credit bid, based upon valuations obtained from BPOdirect® for foreclosure sales on eligible Mortgages. Instead, Servicers will order credit bids using a new functionality in the Service Loans application.

Credit bids provided to Servicers through the Service Loans application are applicable for First-Lien Mortgages that are not covered by mortgage insurance, not insured by the Federal Housing Administration (FHA), not guaranteed by the Department of Veteran Affairs (VA) or the Rural Housing Service (RHS) or not otherwise subject to a credit enhancement. If the Mortgage is covered by mortgage insurance, insured by FHA, guaranteed by VA or RHS or otherwise is subject to a credit enhancement, then the Servicer must bid an amount approved by the responsible party, unless Freddie Mac has delegations of authority with the applicable party. If conditions exist that would require the Servicer to establish bids for foreclosure sales outside of the requirements provided in Guide Sections 66.43, *First-Lien Mortgages Not Covered by Mortgage Insurance*, through 66.45, *FHA, VA and Rural Housing Service (RHS) Mortgages*, then the Servicer must follow the directions outlined in Section 66.42, *Delegated Bidding*.

***Obtaining credit bids for scheduled foreclosure sales through the Service Loans application***

We have updated Guide Chapters 65, *Loss Mitigation*, and 66, *Foreclosure*, to reflect requirements for Servicers to obtain credit bids for scheduled foreclosure sales. Rather than obtaining property values directly from Freddie Mac through BPOdirect to prepare foreclosure bids in connection with foreclosure sales, Servicers must submit requests to Freddie Mac for credit bids using the "Obtain Credit Bid" functionality in the Service Loans application. A credit bid will be returned by the Service Loans application with a "good through date," indicating the length of time for which the credit bid will be valid, and an estimated sale date (e.g., 45 days from the submission date). To ensure the Servicer has a credit bid in time for the foreclosure sale, Freddie Mac recommends that the Servicer submit a request for the credit bid **no less than 30 and no more than 90 days** before the scheduled sale date. If the "good through date" returned with the credit bid will expire prior to the scheduled foreclosure sale date, the Servicer must request an updated credit bid in time for the scheduled foreclosure sale. Therefore, Servicers should begin submitting requests for credit bids using the "Obtain Credit Bid" functionality at least 30 days prior to March 17, 2014 for foreclosure sales scheduled on or after March 17, 2014.

***Servicer access to the Service Loans application***

**Effective immediately**

In order to use the "Obtain Credit Bid" functionality, Servicers must enroll in one of the new authorized user roles, "FCL – Specialist" or "FCL – Specialist (Read Only)," in the Service Loans application. The "FCL – Specialist" user role enables the user to submit a request for, view or search for credit bids. The "FCL – Specialist (Read Only)" user role enables the user to view and search for credit bids only. We have updated the following Guide forms to add these new user roles:

- 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 these new user roles, Servicers or authorized Servicing Agents must complete and submit the updated Form 902 or Form 902SA, as applicable, together with Form 902A or Form 902ASA, if needed. Following receipt of the applicable completed form(s), Freddie Mac will e-mail User IDs for all authorized users to the Customer Administrator designated as the Servicer's Service Loans application Primary Contact.

Servicers are encouraged to register new users at this time, and may find directions on submitting the completed forms by visiting the **Service Loans Application Resource Center**. However, Servicers must be fully registered at least 30 days prior to the effective date in order to have the functionality available for scheduled foreclosure sales held on or after March 17, 2014.

Servicers must 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.

***Obtaining a property value to prepare foreclosure sale bidding instructions***

We have updated Section 65.38, *When to Obtain a Property Value*, to guide Servicers when State law requires an appraisal report to be used to set the bid for a scheduled foreclosure sale. When State law does not require an appraisal report to be used to set the bid, Servicers must comply with the credit bid requirements in Section 66.39, *When to Obtain a Credit Bid for Foreclosure Sale Bidding.*

Section 71.21, *Reimbursement of Broker's Price Opinion (BPO)/Appraisal Reports*, has also been updated to reflect this change.

## Additional foreclosure updates

***Obtaining judgment for less than total indebtedness***

In Bulletin 2013-15, Freddie Mac authorized Servicers to proceed with various methods available to expedite Freddie Mac Default Legal Matters, including obtaining a default judgment for less than the full amount owed by the Borrower in order to obtain an expedited default judgment. We have updated Section A66.6, *Obtaining Judgment for Less than Total Indebtedness*, to advise Servicers that in accordance with Section 65.38, they must obtain the value of the Mortgaged Premises, as if the Servicer were obtaining an "estimated market value" of the Mortgaged Premises for a short sale and not the market value for foreclosure sale bidding. (See Section B65.38, *Property Valuation and Minimum Net Proceeds*, for instructions on obtaining a short sale property value.)

***Reimbursement of expenses***

**Effective immediately**

We have updated Guide Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*, to provide guidance on when Servicers should submit a claim request in the Freddie Mac Reimbursement System for expense code 040002 (State Registration Fee). Where applicable law requires a fee when conducting a foreclosure, Freddie Mac will reimburse up to a maximum total of $500 for the initial property registration and the re-registration.

***Collection of deficiencies***

**Effective immediately**

We have updated Section 66.51, *Working with Vendors to Collect Deficiencies*, to state that upon request, Servicers must assist Freddie Mac, or vendors Freddie Mac uses to assist in the collection of deficiencies, in obtaining case file documentation. This includes data reporting or case file documentation that firms, selected and retained by the Servicer to handle Freddie Mac Default Legal Matters, may have obtained while handling a particular case.

## ALTERNATIVES TO FORECLOSURE

### Standard and Streamlined Modifications

**Effective April 1, 2014**

We are updating our eligibility requirements for Standard and Streamlined Modifications to include Mortgages with pre-modification MTMLTV ratios less than 80%. With this change, Servicers are delegated to approve Standard and Streamlined Modification Trial Period Plans for more Borrowers. Servicers will no longer be required to submit loan-level exception requests to Freddie Mac for approval when evaluating a Borrower for a Standard Modification solely because the MTMLTV ratio is less than 80%.

A Servicer must offer an eligible Borrower with a Mortgage that has a pre-modification MTMLTV ratio less than 80% a Trial Period Plan that includes the principal and interest (P&I) payment based on a 480-month amortization term and the P&I payment based on a 360-month term:

- The 480-month term must result in a P&I payment that is less than or equal to the current contractual P&I payment
- The 360-month term must result in a reduction to the current contractual P&I payment of at least 20%

In addition, if the Borrower requests a term less than 360 months, the Servicer must offer a term less than 360 months if certain requirements are met.

These changes also apply to Borrowers who are being evaluated for a Streamlined Modification as a result of an Eligible Disaster when the MTMLTV ratio of the Mortgage is less than 80%.

Servicers must comply with these requirements for new evaluations conducted on or after April 1, 2014; however, Servicers may begin to implement this change immediately.

We will inform Servicers in a future communication of the date Workout Prospector® will be available to process the terms of Standard and Streamlined Modifications for Mortgages with pre-modification MTMLTV ratios less than 80%. Until Workout Prospector is updated, Servicers must generate the terms of the Trial Period Plan using their proprietary systems, and must transmit an exception request via the Standard Modification exception path in Workout Prospector. Servicers should indicate in the comments section of Workout Prospector the terms of the modification and that the workout has been approved by the Servicer in accordance with the new eligibility requirements.

Sections B65.12.1, *Freddie Mac Streamlined Modification*, B65.13, *Eligibility Requirements for a Freddie Mac Standard Modification*, B65.18, *Determining the Terms of a Freddie Mac Standard Modification and Streamlined Modification,* and B65.19, *Trial Period Plan Requirements*, have been updated to reflect these changes.

### Disaster-related forbearance requirements

Freddie Mac is revising its short-term forbearance requirements for Borrowers impacted by an Eligible Disaster, where QRPC has not been achieved. With this Bulletin, Servicers are permitted to utilize their discretion when determining whether short-term forbearance is appropriate and the length of the short-term forbearance plan by assessing the extent of the damage to the Mortgaged Premises and/or the financial impact the Eligible Disaster has had on the Borrower.

Section 68.4, *Delinquency Management Activities,* has been updated to reflect this change.

## Disaster Relief Modification

**Effective for evaluations conducted on and after February 1, 2014**

Section B65.12.2, *Capitalization and Extension Modification for Disaster Relief*, currently provides that if the existing Mortgage is an ARM, the interest rate must be fixed when modified, but permits the Servicer to submit a request to Freddie Mac for processing a modification for a Borrower who prefers to retain the adjustable-rate terms.

We are updating the Guide to eliminate the option to retain the adjustable-rate terms with the modification.

## Evaluation for Borrower contribution for a short sale or DIL

**Effective February 1, 2014**

A Borrower contribution towards a short sale or DIL can be in the form of a cash contribution and/or a promissory note contribution. We are revising the requirements for Borrower contributions for short sales and DILs to indicate that there are two distinct evaluations for determining a Borrower contribution from a Borrower who is 31 or more days delinquent. The first evaluation is for a cash contribution that is based upon the Borrower's Cash Reserves.

The second evaluation is for a promissory note contribution and utilizes the existing formula for determining the Borrower's promissory note payment capacity. The Servicer will determine if a Borrower has the capacity for one or both of the Borrower contribution types.

Servicers must comply with this change by February 1, 2014. However, Servicers are encouraged to implement sooner if they are operationally able to do so.

Sections B65.37.1 and B65.44.1, each titled *Borrower Contributions and Relocation Assistance*, have been updated to reflect this change.

## Obtaining valuations for short sales

In Bulletin 2012-16, Freddie Mac introduced the valuation process, which is available through the Service Loans application, for Servicers to use to obtain a property value and minimum net proceeds in connection with a short sale. We are updating the Freddie Mac Service Loans application authorized user roles forms (Forms 902, 902A, 902SA and 902ASA) to allow Servicers to enroll in a new authorized user role, "Workout – Specialist (Read Only)," in the Service Loans application for the "Obtain Valuation" functionality.

# LENDER-PLACED INSURANCE

**Effective for all LPI policies issued on Mortgages on and after June 1, 2014**

In connection with the Servicing Alignment Initiative, the Federal Housing Finance Agency (FHFA) has directed Freddie Mac and Fannie Mae to reduce expenditures related to LPI. As a result, Freddie Mac has added new Section 58.12, *Lender-Placed Insurance*.

If the Servicer obtains LPI, the following requirements apply:

- The Servicer, or agents, brokers or other entities affiliated with the Servicer, may not receive compensation in the form of commissions or similar incentive-based compensation regardless of its designation as commission, bonus, fee or other type of payment from LPI carriers; and
- The Servicer may not use its own affiliated entities to insure or reinsure LPI

The Servicer must comply with all applicable law governing the administration of LPI.

These changes are effective for all LPI policies issued on Mortgages on and after June 1, 2014. Servicers must take such steps as are necessary to revise their master agreements and/or master policies with LPI providers to comply with these requirements by that date. Individual LPI policies that were issued for Mortgaged Premises before June 1, 2014 may remain unchanged until they are renewed or cancelled.

Freddie Mac will be adding a new LPI Servicer certification to the annual eligibility certification report (Form 16SF, *Annual Eligibility Certification Report*) similar to the following:

> The Seller/Servicer is in compliance with the provisions and requirements set forth in the Guide, as they may be amended from time to time, including, but not limited to, Section 58.12. The Servicer must also, upon request from Freddie Mac, provide a copy of the insurance policy and agreements between the Servicer and LPI carrier demonstrating compliance with the above requirements.

The updated Form 16SF and required compliance dates will be announced in a future Bulletin.

A Servicer's failure to comply with the above requirements may result in any of the remedies available to Freddie Mac in Section 6.12*, Freddie Mac Remedies*.

Sections 58.9, *Special Insurance Requirements and Changes in Insurance Requirements*, 70.16, *Property Insurance,* and 71.15, *Reimbursement of Insurance Premiums*, Directory 5 and the Glossary have been updated to reflect these changes.

## ADDITIONAL GUIDE UPDATES AND REMINDERS

### Legal claims during modification process

Current Guide instructions for preparing modification agreements require Servicers to prepare and revise the modification agreement in accordance with federal, State and local law. We are updating those instructions to ensure that Servicers are aware that they must not include language in the agreement that requires Borrowers to waive any rights they may have under applicable law, including the Consumer Credit Protection Act, as a condition of the modification.

Sections B65.24, *Preparing to Close the Loan Modification*, and C65.7, *Modification Process*, have been updated to reflect this change.

### Compliance with Office of Foreign Assets Control (OFAC) regulations

As a reminder, Section 53.8, *Compliance with Applicable Law*, sets forth Freddie Mac's expectations and requirements with respect to a Servicer's compliance with OFAC regulations. Servicers are expected to establish and maintain an effective OFAC compliance program that ensures compliance with OFAC regulations. A Servicer must periodically screen the Mortgages that it services for Freddie Mac against OFAC's list of Specially Designated Nationals and Blocked Persons. Additionally, pursuant to Section 51.4, *Servicer and Servicing Agents*, when a Servicer contracts with a Freddie Mac-approved Servicing Agent to service Mortgages purchased by Freddie Mac, the Servicer continues to be responsible and liable to Freddie Mac for all Servicing requirements and all representations and warranties, which include compliance with Section 53.8. Servicers should review their contracts with Servicing Agents to determine whether the obligations under Section 53.8, with regard to OFAC compliance, are addressed appropriately.

## TRAINING

To help Servicers understand the revised foreclosure sale bidding requirements announced in this Bulletin, we encourage registration in the **Freddie Mac Obtain Credit Bid** webinar offered through **Freddie Mac's Learning Center**. Servicers are also encouraged to visit Freddie Mac's Learning Center to view updated training materials supporting the changes announced in this Bulletin.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 58, 65, B65, C65, 66, A66, 68, 70 and 71
- Forms 902, 902A, 902SA and 902ASA
- Exhibit 74
- Glossary
- Directory 5

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2013-27 (Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/sell/guide/spreadsheets.html**.

## 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