



**TO: Freddie Mac Servicers**

July 15, 2014 |

2014-14

## SUBJECTS

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin updates and revises our **Servicing** requirements as follows:

- Updating our alternative to foreclosure requirements to:
  - Announce the new “Loan Modification Settlement” screen in Workout Prospector® for submitting settlement data for a modification of a conventional First Lien Freddie Mac-owned or guaranteed Mortgage
  - Amend our mortgage modification signature requirements
  - Add new Guide Exhibit 101, *Income Calculation Guidelines for Alternative to Foreclosure Options*
- Updating our transfer of ownership and assumption requirements
- Revising certain requirements for Mortgages insured by the FHA or guaranteed by the VA or Rural Housing Service (RHS)
- Adding several new expense codes related to attorney fees and costs and updating certain attorney fees and costs reimbursement 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.

## ALTERNATIVES TO FORECLOSURE

### Mortgage modification settlements

The following requirements are effective on and after **December 1, 2014**; however Servicers may begin implementing them on and after **August 25, 2014**.

Servicers are currently required to complete Guide Form 1128, *Loss Mitigation Transmittal Worksheet*, with required settlement data and submit the form to Freddie Mac to facilitate settlement of a mortgage modification.

We are announcing a new automated settlement process. Servicers must submit the required settlement data for a modification of a conventional First Lien Freddie Mac-owned or guaranteed Mortgage via the new “Loan Modification Settlement” screen in Workout Prospector.

Beginning **August 25, 2014**, Servicers may begin submitting settlement data via the “Loan Modification Settlement” screen in Workout Prospector for modifications of conventional First Lien Freddie Mac-owned or guaranteed Mortgages in lieu of submitting Form 1128. On or after **December 1, 2014**, Servicers must submit all required settlement data for modifications of conventional First Lien Mortgages via the “Loan Modification Settlement” screen in Workout Prospector. Freddie Mac will not accept or review any Form 1128 submitted for settlement of a conventional First Lien Freddie Mac-owned or guaranteed Mortgage on or after December 1, 2014. Servicers are encouraged to adopt the new submission process immediately after the “Loan Modification Settlement” screen becomes available.

Servicers that begin submitting data through the “Loan Modification Settlement” screen prior to December 1, 2014 must also, beginning on the date they start submitting the data in this manner, comply with the applicable requirements in the December 1, 2014 effective date versions of the Guide sections and exhibit listed below:

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- Subsection 65.42(b), *Paying Compensation*
  - Subsection B65.18(c), *Workout Prospector*<sup>®</sup>
  - Section B65.25, *Loan Modification Documents and Settlement Data Submissions*
  - Subsection B65.40(j), *Workout Prospector*<sup>®</sup>
  - Subsections C65.6(b), *Sequential Process for Calculating a Target Payment*, and C65.6(g), *Workout Prospector*
  - Subsection C65.7(f), *Loan Modification Documents and Data Submissions*
  - Exhibit 61, *Interest and Principal Due Freddie Mac*

As a reminder, Servicers must use Workout Prospector to transmit the settlement data to Freddie Mac no later than the fourth Business Day of the month in which the first modified payment is due. When submitting the data through the “Loan Modification Settlement” screen, the Servicer must comply with the instructions for each Freddie Mac modification offer as set forth in the Workout Prospector Users’ Guide. After the data entered into the “Loan Modification Settlement” screen has been submitted to Freddie Mac for settlement, the Servicer should monitor the status of the modification in Workout Manager<sup>®</sup>.

For Mortgages insured by the FHA, or guaranteed by the VA or RHS, Servicers must submit Form 1128 for settlement of a mortgage modification, subject to the applicable agency’s modification guidelines.

Additionally, for Servicer convenience, **effective immediately**, we have updated Form 1128 to include instructions for completing the form for Mortgages modified under the Freddie Mac Streamlined Modification and Mortgages modified under FHA, VA or RHS guidelines.

Sections 65.42, *Compensation Program*, B65.18, *Determining the Terms of a Freddie Mac Standard Modification and Freddie Mac Streamlined Modification*, B65.25, B65.40, *Short Sale Transaction and Processing Requirements*, C65.6, *Underwriting the Borrower*, and C65.7, *Modification Process*, Exhibit 61 and Form 1128 have been updated to reflect these changes.

## **Mortgage modification agreement signature requirements**

Section B65.20, *Modified Mortgage Conditions*, requires all Borrowers and any other signatory to the Security Instrument to sign the modification agreement and all other required documents to qualify for a mortgage modification, with certain limited exceptions provided in Subsection B65.21(e), *Execution of Documents*.

However, Fannie Mae/Freddie Mac Uniform Security Instruments state that any Borrower who co-signs the Security Instrument but does not execute the Note (a “co-signer”) agrees that a lender and any other Borrower can agree to extend, modify, forbear or make any other accommodations with regard to the terms of the Security Instrument or the Note without the co-signer’s consent.

To ensure consistency with Fannie Mae/Freddie Mac Uniform Security Instruments, we are amending our mortgage modification signature requirements to provide that a Servicer and any other Borrowers can agree to extend, modify, forbear or make any accommodations with regard to a Fannie Mae/Freddie Mac Uniform Security Instrument or the Note, as otherwise authorized by Freddie Mac, without obtaining the co-signer’s signature or consent on the condition that the Security Instrument that was signed by the co-signer contained a provision allowing for such action.

Sections B65.21, *Other Conditions and Requirements*, and C65.7 have been updated to reflect this change.

## **New Exhibit 101, *Income Calculation Guidelines for Alternative to Foreclosure Options***

### **Effective September 15, 2014**

In response to questions from Servicers on income calculation requirements, we have created Exhibit 101. The exhibit provides Servicers with detailed instructions to calculate income based on the documentation required in Section 65.18, *Borrower Income Documentation*, and on Form 710, *Uniform Borrower Assistance Form*, in accordance with the Servicing Alignment Initiative.

Section 65.18 has been updated to include a reference to the exhibit.

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## TRANSFERS OF OWNERSHIP AND ASSUMPTIONS

**Effective September 15, 2014**

In response to Servicer questions, we have updated and reorganized Guide Chapter 60, *Transfers of Ownership and Assumptions*, to provide more detail related to the following Transfer of Ownership and assumption requirements:

- Transfers of Ownership protected by federal law restricting the exercise of a due-on-transfer clause
- Transfers of Ownership where the Servicer is required to determine if the transferee is creditworthy
- Transfers of Ownership where the transferee requests to assume the Mortgage or the transferor requests release of liability

In addition, we have:

- Retired Exhibit 54, *List of Items for Assumption Application*. The information contained in this exhibit for FHA and VA Mortgages has been incorporated into Section 60.2, *Mortgages Insured by the FHA or Guaranteed by the VA or Rural Housing Service*.
- Updated Section 60.4, *Window Period Mortgages*, to remove Utah from the list of States with Window Period restrictions as the law has been repealed
- Updated the Guide to reflect that a transferee who assumes a Mortgage is not required to pay 5% of the sales price when federal law restricts the exercise of a due-on-transfer clause and in certain other Transfers of Ownership

As a reminder, Freddie Mac does not need to be notified of Transfers of Ownership permitted under Sections 60.5, *Federal Restrictions on the Exercise of the Due-on-Transfer Clause*, and 60.6, *Additional Permitted Transfers of Ownership*, unless the Mortgage is assumed by the transferee.

## MORTGAGES INSURED BY THE FHA OR GUARANTEED BY THE VA OR RHS

**Effective September 15, 2014**

### Filing claims for insurance or guaranty benefits

For Mortgages insured by the FHA, or guaranteed by the VA or RHS, Servicers must file and process the claims for the applicable insurance or guaranty benefits.

We have updated our claim filing requirements for Mortgages insured by the FHA, or guaranteed by the VA or RHS, to provide further detail related to whose name the claim must be submitted under, and state that Servicers must ensure the claim recipient receives the maximum claim payment amount, whether the claim recipient is determined to be the Servicer or Freddie Mac:

- For FHA, VA or RHS claim filing for Mortgages subject to a recourse obligation, including indemnification, the Servicer must file the claim in its name to ensure that the claim payment is made directly to the Servicer. Because the Servicer is the claim recipient, the Servicer should ensure that it receives the maximum claim payment amount to apply towards any expenses incurred as Freddie Mac will not reimburse the Servicer for expenses incurred on Mortgages subject to a recourse obligation.
- For FHA, VA or RHS claim filing for Mortgages not subject to a recourse obligation or indemnification, the Servicer must submit the claim in Freddie Mac's name to ensure that the claim payment is made directly to Freddie Mac. Because Freddie Mac is the claim recipient, the Servicer should ensure that Freddie Mac receives the claim payment, in the maximum claim payment amount, before seeking reimbursement for expenses incurred on the Mortgage.

As a reminder, if the Servicer receives a claim payment intended for Freddie Mac, the Servicer must send the funds to Freddie Mac within 10 Business Days after the Servicer receives them, and must also include all supporting documentation relating to the claim payment received from the applicable entity, including a copy of the claim payment check.

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## Reimbursement of expenses

Servicers may seek reimbursement of expenses incurred on a Mortgage insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification following Freddie Mac's receipt of the claim payment, in the maximum claim payment amount, from the applicable entity. The expenses must be submitted via a 104SF claim in the Freddie Mac Reimbursement System, and Freddie Mac must receive the 104SF claim no later than 60 days after Freddie Mac has received the claim payment.

Also, pursuant to Section 71.30, *Standard Supporting Documentation for Expense Reimbursement*, Freddie Mac requires Servicers to submit supporting documentation with its expense reimbursement requests on Mortgages insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or full indemnification. We have updated Section 71.30 to clarify that supporting documentation includes, but is not limited to:

- A copy of the claim for benefits filed with the applicable entity,
- Any communication or requests for information from the applicable entity regarding the claim, including any response, and
- Documentation showing the itemization of the distribution of the claim payment received from the applicable entity (e.g., loss claim packet or advice of payment letter)

Applicable sections in Chapters 70, *REO*, and 71, *Reimbursement of Expenses – Reimbursement System*, and Directories 5 and 6 have been updated to reflect these FHA, VA and RHS Mortgage requirement changes.

## ATTORNEY FEES AND COSTS

### Effective October 20, 2014

We have updated applicable sections of the Guide and Exhibits 57, *1- to 4-Unit Property Approved Expense Amounts*, 57A, *Approved Attorney Fees and Title Expenses*, and 74, *Expense and Income Codes for Expense Reimbursement Claims*, to provide new expense codes for the reimbursement of attorney fees and costs related to uncontested foreclosures, bankruptcies and contested foreclosures. In addition, we have updated our requirements for the reimbursement of attorney fees and costs related to mediation where pre-foreclosure mediation is required by State or local law. These changes to the Reimbursement System will further enhance Freddie Mac's management of default-related legal services reimbursement by allowing a more accurate tracking of default-related expenses and streamlined review and pre-approval of attorney fees that exceed our expense limits.

### **Foreclosures**

We have created six new 104SF expense codes for the "Foreclosure" expense code category:

- 010027 (Attorney Fees to Shorten a Redemption Period)
- 010028 (Additional Mediation Hearings)
- 014005 (Foreclosure on a Cooperative Share)
- 014006 (Final Report/Accounting of the Foreclosure Sale)
- 014007 (Status/Conciliation/Case Management Conference)
- 300008 (Title Preliminary Cost)

Refer to Section 71.19, *Reimbursement of Fees and Costs Incurred during Legal Proceedings*, and Exhibits 57A and 74 for details on the use of these expense codes.

### **Bankruptcy**

We are introducing three new 104SF expense codes for the "Bankruptcy" expense code category:

- 011051 (Chapter 11 – Amended Plan Review)

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- 011052 (Chapter 12 – Amended Plan Review)
  - 011053 (Chapter 13 – Amended Plan Review)

Refer to Exhibits 57A and 74 for details on the use of these expense codes.

### ***Contested foreclosures***

We are providing three new 104SF expense codes for the “Contested Foreclosure” expense code category:

- 010024 (Borrower Initiated Motions)
- 010025 (Reply to Affirmative Defenses/Motion to Strike)
- 010026 (Discovery (RFP, RFA, Roggs))

Refer to Section 71.19 and Exhibit 74 for details on the use of these expense codes.

### ***Other Reimbursement System updates***

We are also making the following updates to existing 104SF expense codes:

- Renaming 104SF expense code 010009, previously named "Pre-Trial Preparation Attorney Fee." The new expense code name is "Bulk Trial Foreclosure/Inquest Process."
- Permitting Servicer reimbursement for 104SF expense code 600021 (Skip Trace/Investigative Report) for the actual cost up to a maximum of \$90
- Requiring Servicers to obtain written pre-approval from Freddie Mac by submitting a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System for 104SF expense codes 014000 (Receiver Fees), 014004 (Receivership Additional Court Appearance Cost), 013104 (Suit On Note/Deficiency Judgment) and 043006 (Guardian Ad Litem)
- Deactivating 104SF expense code 043000 (Court Costs – Other Actions). This expense code will no longer be available for use in the Reimbursement System

### ***Mediation***

We have updated Section 71.19 to state that mediation attorney fees and court costs, when required by State or local law, as well as fees charged by a mediation manager or coordinator for participation in a pre-foreclosure mediation program, are reimbursable with prior written approval from Freddie Mac as follows:

- Freddie Mac will approve mediation attorney fees up to \$375 for counsel's attendance and appearance at the initial mediation hearing or conference when Freddie Mac determines that applicable law requires participation in a pre-foreclosure mediation program. Servicers can request Freddie Mac's written pre-approval by submitting an RPA in the Reimbursement System using expense code 010005 (Mediation Attorney Fees). Freddie Mac will conduct additional review(s) to approve RPAs of mediation attorney fees in excess of \$375 for attendance and appearance at the initial mediation hearing or conference, or in any amount in any State or jurisdiction where Freddie Mac has not determined that applicable law requires a pre-foreclosure mediation program.
- In situations where additional mediation hearings or conferences are required, Freddie Mac will approve mediation attorney fees up to \$250 per occurrence, for up to two additional mediation hearings or conferences. Servicers can request Freddie Mac's written pre-approval for additional mediation hearings or conferences by submitting an RPA in the Reimbursement System using expense code 010028 (Additional Mediation Hearings). Freddie Mac will conduct additional review(s) to approve RPAs of mediation attorney fees in excess of the initial mediation hearing or conference and two additional occurrences.
- For mediation-related court costs, as well as fees charged by a mediation manager or coordinator for participation in a pre-foreclosure mediation program, Servicers can request Freddie Mac's written pre-approval by submitting an RPA in the Reimbursement System using expense code 010004 (Mediation Court Costs)

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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 request Freddie Mac's approval prior to incurring the expense.

## **ADDITIONAL GUIDE UPDATES**

### **Foreclosure sale bidding**

The Guide requires Servicers to obtain a credit bid through the Freddie Mac Service Loans application for First Lien Mortgages not covered by mortgage insurance, or when State law does not require that an appraisal report be used to set the bid, when preparing foreclosure bids for scheduled foreclosure sales.

We are updating the Guide to provide that, in the event Freddie Mac decides to update or change the credit bid obtained by the Servicer via the Service Loans application, whether in its sole discretion or in response to a Servicer's dispute of the credit bid obtained in connection with a scheduled foreclosure sale, Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date. In such cases, Servicers must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

If the Servicer is unable to provide the updated bidding instructions to foreclosure counsel in a timely manner, or foreclosure counsel could not use the updated bidding instructions, then the Servicer must document it in the Mortgage file. Under no circumstance should the foreclosure sale be delayed because of the Servicer's receipt of an updated credit bid.

Sections 66.39, *When to Obtain a Credit Bid for Foreclosure Sale Bidding*, and 66.42, *Delegated Bidding*, have been updated to reflect these changes.

### **Vesting title to a property after a foreclosure sale**

Pursuant to Section 66.54, *Vesting the Title and Avoiding Transfer Taxes*, Servicers may vest the title in the Servicer's name after the foreclosure sale if it is determined to be in Freddie Mac's best interest, and transfer the title to the property to Freddie Mac within 30 days of vesting the title in the Servicer's name.

We have updated Section 66.54 to expressly state that the title to the property should be transferred to Freddie Mac via special warranty deed or quitclaim deed, whichever is the most appropriate method of transferring title that will not impair Freddie Mac's sale of the Real Estate Owned. In Florida, we are specifically requiring that the title to the property should be transferred via special warranty deed.

### **Automated Valuation Model (AVM) report**

Section B65.16 and Subsection C65.6(e), each titled, *Property Valuation Requirements*, previously stated that Freddie Mac's AVM report, which is accessible at [http://www.freddiemac.com/singlefamily/service/mha\\_modification.html](http://www.freddiemac.com/singlefamily/service/mha_modification.html), will be updated by the fifth Business Day of each month.

We have updated Sections B65.16 and C65.6(e) to state that Freddie Mac's AVM report will be updated by the last Friday of each month. Effective immediately, Servicers must rely on the AVM report publication date to ensure their compliance with the 90-day property valuation requirement for each Mortgage under consideration for a modification (e.g., a Freddie Mac Standard Modification or a Home Affordable Modification Program modification).

### **Borrower inquiries**

In response to Servicer inquiries, we have updated Section 51.5, *Borrower Inquiries*, to remove the requirement that, in response to Borrower inquiries, the Servicer provide information about Mortgage assumability and disclose and explain the terms to the Borrower.

### **Office of Foreign Assets Control (OFAC) compliance**

In response to Servicer inquiries, we have updated Subsection 53.8(c), *Notice of OFAC Match*, to provide that as an example for establishing the frequency for screening Mortgages the Servicer services for Freddie Mac against

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OFAC's list of Specially Designated Nationals and Blocked Persons, it can screen the Mortgages with the same frequency it screens Mortgages in its own portfolio.

### **Reimbursement of fees and costs during legal proceedings**

Freddie Mac requires the Servicer to instruct its counsel to submit a post-referral of foreclosure solicitation letter to Borrowers upon receipt of the referral to foreclosure. We have updated Section 71.19 to clarify that the postage cost for mailing the solicitation letter, as required by Freddie Mac, is reimbursable.

### **Retirement of Exhibit 87, *Servicer Education Resources***

We have retired Exhibit 87. Applicable sections of the Guide and Form 59, *Principal and Interest Custodial Account Reconciliation Worksheet – Monthly Account Statement*, have been updated to remove reference to the exhibit and instead refer Servicers to the [Freddie Mac Learning Center](#) for comprehensive training information and resources.

### **Investor reporting**

We have updated the Guide to reflect:

- Our new mailing address for delivery of Form 1100, *Supplemental Report of Curtailments for Super ARC*
- New contact information for delivery of certain additional investor reporting information

Form 1100 and Directories 3 and 7 have been updated to reflect these updates.

### **Form 479A, *Single-Family Servicing Agent Certification***

For Servicer convenience, we have made Form 479A a fillable form.

## **TRAINING**

Servicers should visit the [Learning Center](#) web page for Servicing training information and training resources.

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact the following:

- Chapters 51, 53, 54, 60, 65, B65, C65, 66, A66, 69, A69, 70, 71, 77, 78 and 79
- Forms 59, 479A, 1100 and 1128
- Exhibits 54, 57, 57A, 61, 74, 87 and 101
- Directories 3, 5, 6 and 7

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-14 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1414\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1414_spreadsheet.xls).

## **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



**TO: Freddie Mac Sellers and Servicers**

August 14, 2014 | 2014-15

## **SUBJECT: SELLING AND SERVICING UPDATES**

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin announces:

### **Selling and Servicing topics**

- The addition of Arch Mortgage Insurance Company as a Freddie Mac-approved MI and delivery requirements for Mortgages insured by Arch Mortgage Insurance Company
- Requirements to report anti-money laundering (AML) noncompliance and Suspicious Activity
- The requirement for Seller/Servicer subsidiaries to obtain separate Freddie Mac approval in order to act in the capacity of a Seller or Servicer
- Updates to our flood insurance requirements for non-residential detached structures

### **Selling topics**

- Clarifications on ULDD Data Points, which will be reflected in the forthcoming Uniform Loan Delivery Dataset (ULDD) specification addendum
- Updates to our certificate of incumbency forms for Sellers and Warehouse Lenders
- Updates to Manufactured Home requirements to align with current industry standards for evidence of compliance with the Federal Manufactured Home Construction and Safety Standards

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 AND SERVICING**

### **Arch Mortgage Insurance Company**

As announced in our Single-Family Update e-mail dated January 30, 2014, Arch MI acquired an existing Freddie Mac-approved MI, CMG Mortgage Insurance Company (CMG), and Freddie Mac has approved Arch Mortgage Insurance Company, an Arch MI entity, as its mortgage insurance counterparty.

To facilitate the name change from CMG to Arch MI, beginning **October 20, 2014**, the Freddie Mac Selling System will be updated to accept “Other – ArchMI” as the valid value for ULDD Data Point *MI Company Name Type* (Sort IDs 413/414) for Mortgages insured by Arch Mortgage Insurance Company.

To accommodate Sellers’ system updates and pipeline loans, the Selling System will continue to accept “CMG” as a valid value for Mortgages insured by Arch Mortgage Insurance Company with Freddie Mac Settlement Dates through May 4, 2015. Effective for Mortgages with Freddie Mac Settlement Dates on or after **May 5, 2015**, Sellers must deliver a valid value of “Other – ArchMI” for these Mortgages.

Guide Section 17.26, *Mortgage Insurance Requirements*, has been updated to reflect these changes.

Guide Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, will be updated in the future to reflect the new ULDD Data Point valid value and the name change.

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## Anti-money laundering noncompliance and Suspicious Activity reporting

### Effective October 1, 2014

The Financial Crimes Enforcement Network's (FinCEN) Final Rule requires Freddie Mac, as of August 25, 2014, to establish a written AML program and file suspicious activity reports (SARs) with FinCEN. As a result, we are updating Sections 6.2 and 53.8, each titled *Compliance with Applicable Law*, to:

- Emphasize that a Seller/Servicer subject to the AML requirements of the Bank Secrecy Act (BSA) is expected to establish and maintain an AML compliance program that is in accordance with the BSA and FinCEN regulations
- Require such Seller/Servicers to report to Freddie Mac, as permitted by law, any instances of AML program noncompliance

Additionally, we are requiring all Seller/Servicers, including those not subject to the AML provisions of the BSA, to develop internal controls, policies and procedures designed to detect and report Suspicious Activity to Freddie Mac. We have added a definition for Suspicious Activity to the Glossary.

Seller/Servicers should report Suspicious Activity in accordance with Sections 7.3 and 57.3, each now titled *Fraud and Other Suspicious Activity Reporting Requirements*. Seller/Servicers **are not** required to provide and **must not disclose** to Freddie Mac any:

- SARs or draft SARs, or
- Documents or information revealing the existence of a SAR or indicating whether or not a SAR has been filed, or where disclosure of Suspicious Activity would otherwise be prohibited by law

The obligation to detect and report Suspicious Activity complements and **does not** replace a Seller/Servicer's obligations to detect and report fraud and suspected fraud pursuant to Guide Chapters 7 and 57, retitled *Fraud Prevention, Detection and Reporting; Reporting Other Suspicious Activity*.

Chapters 7 and 57 have also been updated to reflect these changes.

## Freddie Mac approval for Seller/Servicer subsidiaries

### Effective October 15, 2014

We are removing language from the Glossary definition of Seller/Servicer that states wholly-owned subsidiaries of Seller/Servicers that are federally-regulated depository institutions do not need separate Freddie Mac approval in order to act in the capacity of a Seller or Servicer. All entities acting in the capacity of a Seller or Servicer, including the Seller/Servicer subsidiaries described above, must obtain separate Freddie Mac approval in order to act in the capacity of a Seller or Servicer.

Applications for Seller/Servicer approval by impacted wholly-owned subsidiaries of Seller/Servicers that are federally-regulated depository institutions must be submitted by **October 15, 2014** to comply with the updated requirement. The Seller/Servicer application fee for impacted subsidiaries will be waived for applications submitted by October 15, 2014.

Information on how to apply to become a Freddie Mac approved Seller/Servicer can be found at <http://www.freddiemac.com/singlefamily/doingbusiness>. Contact your Freddie Mac representative or (800) FREDDIE with additional questions.

Guide Form 16SF, *Annual Eligibility Certification Report*, will be updated in the future to include questions on Seller/Servicers' use of subsidiaries and affiliates.

Freddie Mac's operational review of its Seller/Servicers will also be expanded to include questions related to the use of subsidiaries and affiliates.

## Flood insurance on non-residential detached structures

On March 21, 2014, the President of the United States signed into law the Homeowner Flood Insurance Affordability Act of 2014 (the "Act"). As a result of the Act, we are updating Section 58.3, *Flood Insurance*, to provide that, for Mortgages secured by 1- to 4-unit properties, Seller/Servicers may waive the requirement for flood insurance coverage on non-residential detached structures located on the Mortgaged Premises.

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## SELLING

### ULDD Data Point clarifications

**Effective August 25, 2014**

We are providing clarifications on existing Phase 1 and Phase 2 ULDD Data Points in Chapter 17, *Mortgage Delivery Instructions*. These changes, and the new valid value for Arch Mortgage Insurance Company (“Other – ArchMI”) will be reflected in the forthcoming ULDD specification addendum, which is scheduled for publication in September 2014.

As a reminder, all Mortgages with Application Received Dates on or after March 1, 2014 and Delivery Dates on or after August 25, 2014 must meet the ULDD Phase 2 requirements. Freddie Mac encourages Sellers to use the Selling System customer test environment (CTE) to help prepare and test their loan delivery processes, and to view the Freddie Mac Learning Center tutorial, [Get Ready for ULDD Phase 2](#).

### Certificate of incumbency forms

**Effective October 1, 2014**

#### ***Seller certificate of incumbency forms***

We are updating our Seller certificate of incumbency forms to better serve different business entity types and to add clarity. The updates made to these forms are for ease of Seller use. **Sellers may use the updated forms immediately, but must use these updated forms when they submit certificates of incumbency to Freddie Mac on or after October 1, 2014.** Sellers are not required to resubmit previously submitted forms as a result of these changes.

Form 988SF, *Certificate of Incumbency – For a Corporation or Limited Liability Company Only*, is now two separate forms to better accommodate specific business structures:

- Form 988SF-1, *Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union or Corporation*
- Form 988SF-2, *Certificate of Incumbency for a Limited Liability Company*

Form 989SF, now titled *Certificate of Incumbency for a Limited Partnership*, has been updated to apply to Limited Partnerships only.

The addenda to these forms, Forms 988ASF and 989ASF, each now titled, *Addendum to Certificate of Incumbency*, have also been updated to provide additional clarity.

Chapter 16, *Documentation Delivery*, and other applicable Guide sections, have been updated as a result of these changes.

#### ***Warehouse Lender certificate of incumbency forms***

We are updating Forms 990SF, now titled *Warehouse Provider Certificate of Incumbency*, and 990ASF, now titled *Warehouse Provider Addendum to Certificate of Incumbency*, to add clarity and for ease of use. Warehouse Lenders may use the updated forms immediately, but must use these forms when they submit certificates of incumbency to Freddie Mac on or after October 1, 2014. Warehouse Lenders are not required to resubmit previously submitted forms as a result of these updates.

Chapter 19, *Warehouse Financing Arrangements*, has been updated as a result of these changes.

### Updates to Manufactured Home requirements

We are updating our requirements for Manufactured Homes to align with current industry standards as follows:

- Requiring that both the HUD Data Plate and HUD Certification Label are present and legible to evidence that the Manufactured Home is built in compliance with the Federal Manufactured Home Construction and Safety Standards and providing that the following alternative sources may be used as evidence of compliance
  - HUD Certification Label: Verification letter from the Institute for Building Technology and Safety (IBTS)

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- HUD Data Plate: Either a copy of the data plate or substitute performance verification certificate from IBTS, or a copy of the data plate from the In-Plant Primary Inspection Agency (IPIA) or manufacturer
  - Adding “HUD Certification Label” and “HUD Data Plate” to the list of terms used in Chapter H33, *Manufactured Homes*

Sections H33.1, *Overview*, and H33.2, *Property Eligibility*, are being updated to reflect these changes.

## **Additional Guide updates**

### ***Characterization and nature of purchase and sale transactions***

We are updating Section 8.12, *Characterization and Nature of Mortgage Purchase Transactions*, to supplement the language relating to the nature of purchase and sale transactions. If, despite the Seller and Freddie Mac’s express intent that the purchase and sale transaction be construed as a sale and not a pledge to secure debt, the Mortgage Freddie Mac has purchased is determined to be the Seller’s property (i.e., the sale is not a true sale), Freddie Mac will be a secured party and have all the rights and remedies of a secured party and creditor.

### ***Residential Mortgaged Premises requirements***

We are adding language to Section 44.2, *General Property Eligibility Requirements*, to clarify the requirements for a residential Mortgaged Premises.

### ***Borrower inquiries***

In Bulletin 2014-14, we updated Section 51.5, *Borrower Inquiries*, to remove the requirement that, in response to Borrower inquiries, the Servicer provide information about Mortgage assumability and disclose and explain the terms to the Borrower.

We are now similarly updating Section 2.11, *Borrower Inquiries*, for added clarity on Seller/Servicer responsibilities when responding to Borrower inquiries.

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact the following:

- Chapters A1, 2, 4, 6, 7, 8, B15, C15, D15, 16, 17, 19, H33, 44, 53, 57 and 58
- Forms 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF, 990SF and 990ASF
- 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 2014-15 (Selling and Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1415\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1415_spreadsheet.xls).

## **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 Redmond  
Vice President  
Offerings Effectiveness

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**TO: Freddie Mac Sellers and Servicers**

August 20, 2014

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**SUBJECT: MORTGAGES SECURED BY PROPERTIES WITH AN OUTSTANDING PROPERTY ASSESSED CLEAN ENERGY (PACE) OR PACE-LIKE OBLIGATION INELIGIBLE FOR PURCHASE**

Several California counties have announced energy retrofit programs that permit the imposition of a First Lien priority to secure energy efficient home improvements.

Since 2010, the Federal Housing Finance Agency has indicated 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 lender priorities.

The purpose of this Industry Letter is to remind Seller/Servicers that Freddie Mac will not purchase either purchase transaction or refinance Mortgages subject to PACE or PACE-like obligations that provide for First Lien priority. The only exception is a Freddie Mac Relief Refinance Mortgage<sup>SM</sup> – Open Access originated in accordance with the requirements of *Single-Family Seller/Servicer Guide* (“Guide”) Section 24.9, *Requirements for Refinance of Mortgages Secured by Properties Subject to an Energy Retrofit Loan*, where the Mortgage being refinanced has a Freddie Mac Settlement Date before July 6, 2010 and the PACE or PACE-like obligation was originated before July 6, 2010.

Further, and as provided in Guide Bulletins 2010-20 and 2011-2, and as Seller/Servicers were reminded in Bulletin 2013-23, 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 that have 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.

To the extent necessary to mitigate greater risks associated with PACE and PACE-like programs, Freddie Mac may take additional actions, that could include adjusting loan-to-value and debt-to-income ratios for Mortgages secured by properties located in jurisdictions that permit such programs.

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

Sincerely,



Laurie Redmond  
Vice President  
Offerings Effectiveness



**TO: Freddie Mac Servicers**

September 15, 2014 | 2014-16

## **SUBJECT: SERVICING UPDATES**

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin announces:

- **Foreclosure**
  - The combination and re-organization of Guide Chapters 66, *Foreclosure*, and A66, *Expediting Default Related Legal Matters*, for ease of reference
  - The new Freddie Mac Default Fee Appeal System
  - Updates to the allowable reimbursable amounts for attorney fees related to foreclosure and bankruptcy
  - Revisions to the title work expense limits for some jurisdictions
  - Updates to the Internal Revenue Service (IRS) Form 1099-C requirements
- **Alternatives to foreclosure**
  - The expansion of the eligible population of modified Mortgages that may receive reimbursement of certain expenses that are typically not capitalized during the modification process
  - Additional guidance on modifying a Mortgage that is secured by a leasehold estate
  - Updates to our lien priority requirements for modified Mortgages
  - Revisions to the Trial Period Plan requirements for Borrowers in bankruptcy
  - Additional requirements related to Texas Equity Section 50(a)(6) Mortgages
  - The requirement for Servicers to download and retain the required settlement data for each modification submitted via the “Loan Modification Settlement” screen in Workout Prospector®
- Updates to application of Servicemembers Civil Relief Act (SCRA) provisions for Servicemembers and their Dependents
- Enhancements to Guide Form 1205, *Post-Settlement Correction Request*
- Updates to our reporting requirements for partial reinstatements

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.

## **FORECLOSURE**

### **Chapters 66 and A66 reorganization**

We are combining Chapters 66 and A66. The revised layout will enhance readability, eliminate deleted sections and streamline the review of our foreclosure-related Guide sections.

All applicable Guide cross-references have also been updated as a result of this re-organization. An outline of the re-organization indicating the old and new locations of specific content is included in the Bulletin 2014-16 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1416\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1416_spreadsheet.xls).

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## **Appeals of foreclosure-related compensatory fees**

We are announcing the Freddie Mac Default Fee Appeal System, a new web-based system for Servicers to submit appeals of State foreclosure time line compensatory fees. The introduction of this system will provide greater clarity, transparency and interaction between Servicers and Freddie Mac as it relates to appeals of State foreclosure time line compensatory fees. This system, and associated forms and templates, will be made available on **October 27, 2014** and use of the system for submission of foreclosure time line compensatory fee appeals will be mandatory on **January 1, 2015**.

In the future, the Default Fee Appeal System will also be used for submissions of appeals related to late foreclosure sale reporting compensatory fees. We will provide Servicers with notification once this functionality becomes available.

### ***Submitting appeals to Freddie Mac***

Effective for all foreclosure sales that are completed on or after November 1, 2014 and that result in a State foreclosure time line compensatory fees (where appeals would be submitted on or after January 1 2015), Servicers or their authorized Servicing Agents must submit appeals of the foreclosure time line compensatory fees through the new Default Fee Appeal System.

We have updated the re-organized Guide Section 66.44.2, *State Foreclosure Time Line Performance Assessment*, to require submission of appeals through the Default Fee Appeal System. Servicers may start to use this system prior to the mandatory effective date of January 1, 2015 if they are able to do so; however, Servicers must use this system to submit their appeals beginning on January 1, 2015. We will not accept appeals of foreclosure time line compensatory fees through the [NPL\\_Invoices@freddiemac.com](mailto:NPL_Invoices@freddiemac.com) mailbox beginning on January 1, 2015. Appeals sent to that mailbox will not be reviewed.

As part of this effort, we have developed a template for bulk appeal submissions for State foreclosure time line compensatory fees. Servicers can access the template via a Default Fee Appeal System web page that will be available upon deployment on October 27, 2014. This will allow Servicers to submit more than one compensatory fee appeal at a time. Instructions on using the bulk upload process will be available on the Default Fee Appeal System web page; Servicers will be notified of the web address for the new Default Fee Appeal System web page upon deployment.

We have updated Guide Exhibit 88, *Servicing Tools*, to include a reference to the Default Fee Appeal System.

### ***Servicer access to the Default Fee Appeal System***

In order to use the Default Fee Appeal System by the effective date, Servicers (and Servicing Agents) must submit the applicable forms, as described below, to enroll authorized users as “Default Fee Appeal Specialists” sufficiently in advance of January 1, 2015 to allow Freddie Mac time to process the form(s). While Servicers and Servicing Agents may not begin registering new users until October 27, 2014, they are encouraged to do so beginning on that date. Authorized users must be fully registered at least 30 calendar days prior to the effective date in order to have access by the mandatory effective date of January 1, 2015.

The “Default Fee Appeal Specialist” user role enables the user to submit, view or search appeals for State foreclosure time line compensatory fees. Once functionality has been updated for submission of appeals of late foreclosure sale reporting compensatory fees, all “Default Fee Appeal Specialists” will also be able to access appeals related to such compensatory fees.

We have created the following forms to enable Servicers and their authorized Servicing Agents access to the Default Fee Appeal System:

- Form 903, *Freddie Mac Default Fee Appeal System Authorized User Roles Form – For Use by Servicers Only*
- Form 903A, *Addendum to Freddie Mac Default Fee Appeal System Authorized User Roles Form – For Use by Servicers Only*
- Form 903SA, *Freddie Mac Default Fee Appeal System Authorized User Roles Form - For Use by Servicing Agents Only*
- Form 903ASA, *Addendum to Freddie Mac Default Fee Appeal System Authorized User Roles Form - For Use by Servicing Agents Only*

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To designate an authorized employee(s) to this new user role, Servicers or authorized Servicing Agents must complete and submit Form 903 or Form 903SA, as applicable, together with Form 903A or Form 903ASA, if needed. Following the receipt of the applicable completed form(s), Freddie Mac will e-mail User IDs for all authorized users to the Servicer's or Servicing Agent's designated Default Fee Appeal System External Servicing Administrator. Directions on submitting the completed forms will also be available on October 27, 2014 via the Default Fee Appeal System web page.

Servicers and their Servicing Agents must review new Exhibit 94, *Freddie Mac Default Fee Appeal System User Agreement*, ("User Agreement") and comply with its terms. This User Agreement supersedes any other Default Fee Appeal System terms of use document signed by the Servicer. By virtue of the Servicer's and its Servicing Agent's use of the system, the Servicer and Servicing Agent agree to, and are deemed to be bound by:

- All of the provisions of the Default Fee Appeal System User Agreement set forth in Exhibit 94 to the same degree as if the Servicer or Servicing Agent has signed such Agreement as a "User"
- Chapter 3, *Special Requirements for Electronic Transactions*, and Section 50.3.1, *Electronic Transactions*, and
- All other applicable terms and conditions of the Guide and other Purchase Documents

### **Allowable reimbursable amounts for attorney fees related to foreclosure**

#### **Effective October 20, 2014**

Freddie Mac is updating the approved attorney fee amounts for which it will reimburse Servicers for uncontested foreclosures in certain jurisdictions in Exhibit 57A, *Approved Attorney Fees and Title Expenses*. These changes will be effective for all reimbursement claims submitted in the Freddie Mac Reimbursement System **on or after October 20, 2014**.

The updated approved attorney fees for an uncontested foreclosure will apply to reimbursement claims filed:

- On all pending foreclosures for which reimbursement claims will be submitted on or after October 20, 2014, and
- On foreclosure actions completed, whether through Freddie Mac's acquisition of the Real Estate Owned (REO) or completed as a non-REO event or activity, within the appropriate claim submission time frames set forth in Section 71.13, *Claim Submission Types and Time Frames*, as of October 20, 2014

#### ***District of Columbia***

In light of recent legislative and court developments in the District of Columbia, Freddie Mac has established approved judicial foreclosure attorney fees in the amount of \$2,300 to recognize that the filing of a judicial foreclosure may be necessary or in Freddie Mac's best interest based on the individual circumstances or characteristics of a Mortgage and/or Mortgaged Premises that is the subject of the foreclosure.

Servicers and their counsel must use their discretion to determine if the filing of a judicial foreclosure is warranted in the District of Columbia for a particular Mortgage. As a reminder, in States or jurisdictions where the Servicer has the option of pursuing a judicial or non-judicial foreclosure process, the Servicer must choose the foreclosure process pursuant to re-organized Section 66.9, *Choosing a Judicial or Nonjudicial Foreclosure Process*.

In the event a Servicer determines that the filing of a judicial foreclosure is warranted in the District of Columbia, the foreclosure time line requirements set forth in re-organized Section 66.44, *State Foreclosure Time Lines*, will remain in effect and will not be waived.

#### ***Default-related legal services included in foreclosure attorney fees***

To ensure Servicers and their counsel have a clear understanding as to what default-related legal services are typically included in the approved attorney fees for an uncontested foreclosure, Freddie Mac has updated Section 71.19, *Reimbursement of Fees and Costs Incurred During Legal Proceedings*. The foreclosure attorney fees listed in Exhibit 57A generally include, but are not limited to, the following services:

- All activities necessary to complete the first legal action
- Review of supporting documentation and loan status

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- Verification that the Borrower is not a Servicemember currently serving a Period of Military Service (as those terms are referenced in Section 82.1, *Overview*), or if the Borrower was a Servicemember, that more than one year has elapsed since his or her Period of Military Service ended. At a minimum, verification should be completed following the referral of a Mortgage to foreclosure but prior to the first legal action, and again prior to foreclosure sale.
  - Review of title examination
  - Preparation and filing of all necessary papers and notices including the publication and posting of notices of foreclosure or other legal proceedings as required by State or local law, as well as obtaining service of process on all defendants or parties entitled to notice
  - Obtaining orders for alternate or special service, if doing so will expedite service of process at little or no additional cost
  - All necessary court appearances required in an uncontested foreclosure
  - Preparing documentation for and obtaining entry of judgment in a judicial foreclosure action or preparing all documentation necessary to conduct the foreclosure sale in a non-judicial foreclosure action
  - Handling the foreclosure sale
  - Preparation and recording of conveyance deeds

If, during the pendency of a foreclosure, a Servicer relies upon its foreclosure counsel, as a vendor, to perform or handle services associated with Servicer functions, including Delinquency management requirements as provided in Chapters 63, *Delinquency Management for Mortgages Secured by Primary Residences*, through Chapter 68, *Servicing Mortgages Impacted by a Disaster*, then any additional fees or service charges billed by a law firm should be paid by the Servicer at its own expense. (See Section 71.24, *Non-Reimbursable Expenses*, regarding non-reimbursable expenses.)

Additionally, in order for Servicers to appropriately monitor the foreclosure, re-organized Section 66.13, *Servicer's Responsibility to Work with Foreclosure Counsel*, has been updated to include that Servicers must ensure foreclosure counsel complies with the SCRA and all State Military Relief Laws as they apply to any Borrower or Mortgage, including verification that the Borrower is not a Servicemember currently serving a Period of Military Service, or if the Borrower was a Servicemember, that more than one year has elapsed since his or her Period of Military Service ended.

## **Bankruptcy attorney fee reimbursement limits**

### **Effective October 20, 2014**

Freddie Mac is updating the approved attorney fee amount for which it will reimburse Servicers for certain bankruptcy services. These changes will be effective for all reimbursement claims submitted in the Reimbursement System on or after **October 20, 2014**. Exhibit 57A has been updated to reflect these revisions.

## **Title work expense limits**

### **Effective October 20, 2014**

Freddie Mac is updating the allowable amounts that are reimbursable to Servicers in Maryland, Ohio and Virginia for expenses incurred for title work either as part of the foreclosure process, or incurred as part of the mortgage modification process when the reimbursable costs are not permitted to be capitalized in a mortgage modification. The revisions to the maximum allowable amounts will be effective for all reimbursement claims submitted in the Reimbursement System on or after **October 20, 2014**. Exhibit 57A has been updated to reflect these revisions.

## **IRS Form 1099-C requirement changes**

We are reminding Servicers that in the situation where a deficiency is not preserved through foreclosure (as may be allowed per re-organized Section 66.19, *When to Preserve Deficiency Rights*), the Servicer is responsible for filing IRS Form 1099-C, *Cancellation of Debt*, (per Section 55.3.1, *IRS Form 1099-C, Cancellation of Debt*), in addition to filing IRS Form 1099-A, *Acquisition or Abandonment of Secured Property*, (per Section 55.3, *IRS Form 1099-A, Acquisition or Abandonment of Secured Property*).

When a deficiency balance is preserved through foreclosure per Section 66.19, the Servicer is required to work with Freddie Mac, or our retained vendors, per re-organized Section 66.38, *Working with Vendors to Collect Deficiencies*, and to provide the documentation and information needed to pursue deficiency collection activities. In cases where Freddie Mac, or its retained vendors, pursue the deficiency balance, the Servicer will not be responsible for filing IRS Form 1099-C as Freddie Mac will do so via its retained vendors.

However, there may be situations where Freddie Mac, or its retained vendors, make the determination post-foreclosure not to pursue deficiency collections. In these situations it remains the Servicer's responsibility to file IRS Form 1099-C. We have updated re-organized Sections 66.43, *Reporting to the IRS*, and 55.3.1 to clarify that this remains the Servicer's responsibility.

We have amended Section 55.3.1(d) to include new identifiable events in which a debt is to be considered cancelled, specifically referencing the situation in which Freddie Mac, or its retained vendors, make the determination, post-foreclosure, not to pursue deficiency collections. Additionally, we will begin to produce an annual report, entitled "Servicer 1099-C filing report" within Default Reporting Manager<sup>SM</sup> that will list all Mortgages owned or guaranteed in whole or in part by Freddie Mac whereby Freddie Mac has determined not to pursue collection of the deficiency and the debt is cancelled. The link can be found at <http://www.freddiemac.com/singlefamily/service/tools.html>. This report will be made available in early January each year to reflect all loans with debt cancellations for the prior calendar year. Once this report is made available (the first annual report will be available in January 2015), Servicers must review each new annual report by the end of January, and ensure that IRS Form 1099-C is filed with the IRS as required in Section 55.3.1(e) and is provided to the Borrower as required in Section 55.3.1(f).

## ALTERNATIVES TO FORECLOSURE

### Modification expense reimbursements

#### Effective March 1, 2015

Freddie Mac is expanding the eligible population of modified mortgages that may receive reimbursement of certain expenses that are typically not capitalized during the modification process. Currently, only Home Affordable Modification Program (HAMP<sup>®</sup>) modifications are eligible for such reimbursement. Freddie Mac will allow such reimbursements for all mortgage modifications with a settlement date in Freddie Mac systems on or after September 1, 2014, regardless of the modification type, as provided in Chapters B65, *Workout Options*, and C65, *Home Affordable Modification Program*, or other applicable Purchase Documents.

Effective March 1, 2015, Servicers may begin submitting claim requests through the Reimbursement System for reimbursement of the following expenses that would otherwise be paid by the Borrower and that may not be capitalized in the modification.

Expense Description	Expense Code	Expense Limit
Recordation fees	300003	Actual cost
Title costs, if applicable	300004	Reimbursable amounts are in accordance with the limits specified in Exhibit 57A
Notary fees	042001	\$150
HVE	400003	\$150

Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*, has been updated to reflect these changes. Refer to Sections B65.23, *Expenses, Delinquent Amounts and Capitalization Rules*, C65.8, *Other General Requirements*, and 71.13 for additional information about expense reimbursement.

#### Claim submission time frames

When submitting initial and supplemental claim types for modification expense reimbursement, Servicers must comply with the requirements under Section 71.13 in addition to the claim submission time frames outlined in this Bulletin. If the mortgage modification settlement date in Freddie Mac's system is prior to the effective date,

March 1, 2015, then Freddie Mac will provide additional time for Servicers to submit claims for these mortgage modification expenses to ensure that Servicers are able to gather the appropriate invoices and ensure internal processes are updated.

Modification Expense Reimbursement Claim Submission Time Frames	
Mortgages with a Mortgage Modification Settlement Date on or after September 1, 2014 but prior to March 1, 2015	Mortgages with a Mortgage Modification Settlement Date on or after March 1, 2015
<p><b>Beginning March 1, 2015:</b></p> <ul style="list-style-type: none"> <li>• Initial claims for expense reimbursement must be submitted to Freddie Mac no later than 90 days from the effective date of March 1, 2015</li> <li>• Supplemental claims for expense reimbursement must be submitted to Freddie Mac <b>no later than 180 days from the effective date of March 1, 2015</b> (applicable for recordation fees only)</li> </ul>	<p><b>Beginning March 1, 2015:</b></p> <ul style="list-style-type: none"> <li>• Initial claims for expense reimbursement must be submitted to Freddie Mac no later than 90 days from the loan modification settlement date in Freddie Mac systems</li> <li>• Supplemental claims for expense reimbursement must be submitted to Freddie Mac <b>no later than 180 days from the loan modification settlement date in Freddie Mac systems</b> (applicable for recordation fees only)</li> </ul>

**Retiring the current HAMP expense reimbursement process**

Servicers may continue to submit claim requests for reimbursement of HAMP modification expenses in accordance with existing requirements under Section C65.8 and the Reimbursement System through February 28, 2015.

On and after March 1, 2015, Servicers must begin submitting claim requests in accordance with the revised requirements under Sections C65.8 and 71.13. As of that date, Freddie Mac will no longer accept any HAMP modification claim requests submitted under Section C65.8 requirements in effect prior to March 1, 2015.

Sections B65.23, C65.8 and 71.13 and Exhibit 74 have been updated to reflect these changes.

**Modification eligibility for a Mortgage secured by a leasehold estate**

**Effective for evaluations conducted on and after November 1, 2014**

As outlined in Chapter 41, *Special Warranties for Leasehold Estates*, a Mortgage secured by a leasehold estate is eligible for sale to Freddie Mac provided the original term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) does not terminate earlier than five years after the maturity date of the Mortgage. We are providing Servicers with guidance on modifying a Mortgage that is secured by a leasehold estate. In order for a leasehold Mortgage to be eligible for a modification, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable), must not terminate earlier than five years after the maturity date of the proposed modified Mortgage.

In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified Mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the Borrower a Trial Period Plan.

Sections B65.12.1, *Freddie Mac Streamlined Modification*, B65.12.2, *Capitalization and Extension Modification for Disaster Relief*, B65.13, *Eligibility Requirements for a Freddie Mac Standard Modification*, and C65.4, *HAMP Eligibility*, have been updated to reflect this guidance.

**Lien priority of modified Mortgages**

We are updating Section B65.20, *Modified Mortgage Conditions*, to further define our lien priority requirements for modified Mortgages. A modified Mortgage must retain its First Lien position and be fully enforceable at the time of the modification, throughout its modified term, and during any bankruptcy or foreclosure proceeding involving the Mortgage.

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## **Trial Period Plan for Borrowers in bankruptcy**

### **Effective for loan modifications with a Trial Period Plan Effective Date on or after November 1, 2014**

Freddie Mac requires the Servicer and its counsel to work with the Borrower or Borrower's counsel to obtain any court and/or trustee approvals required in accordance with local court rules and procedures prior to entering into a mortgage modification with a Borrower who has filed for bankruptcy protection. In order to accommodate this process, the Guide currently permits Servicers to extend a Trial Period Plan for up to two additional months (five months total). However, in response to Servicer feedback, Freddie Mac has decided to adjust this requirement.

We are revising our requirements to permit Servicers to extend Trial Period Plans for up to nine additional months (twelve months total) as necessary, to accommodate delays in obtaining court approvals or receiving a full remittance of the Borrower's Trial Period payments when they are made to a trustee. In the event of a Trial Period extension, the Borrower 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 modification. We also are adding clarifying language to ensure Servicers understand that they may revise Trial Period Plans to condition them on obtaining any necessary court and/or trustee approvals for Borrowers in bankruptcy and to address situations where a Borrower files for bankruptcy during the Trial Period.

In addition, we are requiring Servicers to attempt to obtain the release of the Mortgage from the bankruptcy plan on or before the conversion from a Trial Period Plan to a permanent modification. However, if the Servicer is unsuccessful in its attempt to have the Mortgage released from the bankruptcy plan, the Servicer may still convert the Mortgage to a permanent modification and must document the Mortgage file showing that the Servicer could not obtain a release from the bankruptcy plan despite its best efforts.

These changes apply to all Freddie Mac mortgage modifications; all other requirements of Freddie Mac mortgage modifications that are not directly impacted by the Borrowers' filing for bankruptcy protection remain in effect. Servicers will continue to be compensated for settling mortgage modifications pursuant to the incentive structure described in Exhibit 96, *Servicing Incentives and Compensatory Fees*. The extension of Trial Period Plans will not have a negative impact on the payment of Servicer incentives.

If the Servicer elects to use the interim month option (i.e., when there is no bankruptcy or for the month following receipt of necessary court or trustee approvals in the event of a bankruptcy extension) or extends the Trial Period Plan to accommodate a Borrower's bankruptcy filing, the Servicer must adhere to existing reporting requirements in Sections B65.21(a) and C65.11, *HAMP Activity Reporting Requirements*.

Sections B65.19, *Trial Period Plan Requirements*, C65.2, *HAMP Documentation*, and C65.7.1, *Foreclosure Actions and Borrowers in Bankruptcy*, have been updated to reflect these changes.

## **Texas Equity Section 50(a)(6) Mortgages**

### **Effective December 1, 2014**

In response to Servicer inquiries, we are providing additional requirements with respect to the modification of a Texas Equity Section 50(a)(6) Mortgage.

Texas Equity Section 50(a)(6) Mortgages are eligible for a modification under Chapters B65 or C65 and the Servicer must offer the Borrower a Trial Period Plan in accordance with Freddie Mac's requirements in these chapters if the Borrower is eligible and qualifies for a modification.

If the Servicer receives Borrower notification that the terms of the Trial Period Plan or subsequent modification agreement do not comply with the provisions of Article XVI Section 50(a)(6) of the Texas constitution, then the Servicer must complete and submit Form 1205 to Freddie Mac in accordance with the requirements of Section B65.21, *Other Conditions and Requirements*, and await further instructions.

We have also updated Section 51.3, *Servicing Facilities and Duties*, to reflect that the Servicer must notify Freddie Mac within seven Business Days of receipt of a Borrower's notification that the Servicer failed to comply with the provisions of Article XVI Section 50(a)(6) of the Texas constitution with respect to a Texas Equity Section 50(a)(6) Mortgage.

The Servicer must comply with any other required response time frames to claims of defects and any other complaints in accordance with the Texas constitution and Section 51.3(d).

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Sections B65.21 and C65.7, *Modification Process*, and Directory 5 have also been updated in conjunction with these updates.

### **Updates to Mortgage modification settlement process**

In Bulletin 2014-14, we introduced our new automated settlement process. Servicers may submit the required settlement data for a modification of a conventional First Lien Freddie Mac-owned or guaranteed Mortgage via the new “Loan Modification Settlement” screen in Workout Prospector prior to the mandatory effective date of December 1, 2014.

We are now requiring Servicers to retain a PDF download or printout of the required settlement data for each modification submitted via the “Loan Modification Settlement” screen in Workout Prospector. The PDF download is available for saving and/or printing up to the last day on which Freddie Mac processes modifications for the accounting cycle cutoff in each month (refer to the [due date calendar for monthly reporting and remitting](#)). Servicers must retain the PDF or printout in their Mortgage file or Servicing system. In addition, the Servicer must provide a digital copy of the PDF or printout to Freddie Mac for review upon request.

## **APPLICATION OF SCRA PROVISIONS FOR SERVICEMEMBERS**

### **Effective August 26, 2014**

As announced in our Single-Family Update e-mail dated August 26, 2014, to facilitate SCRA relief, Servicers are now able to accept alternative documentation to verify an eligible Servicemember’s military status when copies of the official military orders are not readily available. This Bulletin updates Sections 82.2, *Relief Options Exclusive to Servicemembers and their Dependents*, 82.4, *Applying SCRA Provisions*, and 82.7, *Accounting Reports and Remittances*, to reflect this change. This will streamline the process for Servicers to implement the financial protections and benefits offered by the SCRA and lower barriers for Servicemembers to meet documentation requirements to establish eligibility for certain SCRA protections.

We are also encouraging Servicers, who are not already doing so, to take steps to maximize the number of eligible Borrowers who take advantage of the SCRA interest rate cap by considering adoption of the following practices:

- Query the Freddie Mac loans they service with Note Rates greater than 6% against the [Defense Manpower Data Center](#) web page on at least a quarterly basis
- Proactively solicit those Borrowers whom they identify and who are currently serving or projected to serve a Period of Military Service to inform them of their benefits under the SCRA and how they may take advantage of them

Servicers may also refer to the Freddie Mac [Military Relief Options for Service Members](#) web page for a comprehensive list of “Best Practices” to maximize the number of military Borrowers who take advantage of the protections provided under the SCRA.

## **POST-SETTLEMENT CORRECTION REQUESTS**

Based on feedback and recommendations that Freddie Mac has received internally and from Servicers, Form 1205 is being retitled from *Post-Settlement Adjustment Request* to *Post-Settlement Correction Request*.

We have also:

- Reformatted Form 1205 with a new look, including a new data element required for post-settlement correction requests related to mortgage modifications
- Added a new comments section and helpful links for an improved user experience

All applicable Guide cross-references have been updated as a result of the form name change.

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## ELECTRONIC DEFAULT REPORTING (EDR) REQUIREMENTS FOR PARTIAL REINSTATEMENTS

### Effective November 15, 2014

We are updating Section A65.10, *Reporting and Processing the Reinstatement*, which outlines the requirements for the reporting and processing of reinstatements. Effective November 15, 2014, Servicers must notify Freddie Mac when accepting a partial reinstatement of a Mortgage that has been reported to Freddie Mac as 30 days or more delinquent, or a Mortgage in foreclosure in the prior month. Servicers are encouraged to implement this change as soon as possible.

As a reminder, when a Servicer is reporting a partial reinstatement, it must also notify Freddie Mac that the Borrower is on a repayment plan and provide Freddie Mac with the Due Date of Last Paid Installment (DDLPI).

## ADDITIONAL GUIDE UPDATES

### Systems license

To ensure that Guide licensing provisions appropriately cover the types of technology and intellectual property that Freddie Mac may provide or make available to Seller/Servicers in connection with the sale and/or Servicing of Mortgages, Freddie Mac is making the following changes:

- Deleting Section 2.17, *Software License*, which set forth terms and conditions applicable to Seller/Servicer's use of software and related documentation to the extent not covered by the terms of any other agreement between Freddie Mac and the Seller/Servicer
- Replacing deleted Section 2.17 with new Section 2.17, *Systems License*, which more broadly applies and sets forth terms and conditions applicable to Seller/Servicer's use of systems, software, applications and related documentation and output that are not covered elsewhere in the Guide or Purchase Documents by a separate license, user agreement, terms of use or similar document

As a result of these updates, we have deleted Section A1.8, *License Agreement*; this information can now be found within new Section 2.17.

### Transfers of ownership and assumptions

We are updating Section 60.9, *Approval of the Application*, to provide Servicers with a process for notifying Freddie Mac of transfers of ownership and assumptions permitted under Sections 60.5, *Federal Restrictions of the Exercise of the Due-on-Transfer Clause*, and 60.6, *Additional Permitted Transfers of Ownership*.

### Directory 5 charge-off DAR e-mail address revision

We are revising the e-mail address for submission of post-settlement correction requests to [Post\\_settlement\\_correction@freddiemac.com](mailto:Post_settlement_correction@freddiemac.com); Directory 5 has been updated as a result of this change.

## TRAINING

Servicers should visit the [Freddie Mac Learning Center](#) web page for Servicing training information and training resources.

## REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters A1, 2, 51, 54, 55, 60, 63, 64, 65, A65, B65, C65, 66, A66, 67, 68, 70, 71, 78 and 82
- Forms 903, 903A, 903SA, 903ASA, 1065, 1128 and 1205
- Exhibits 57, 57A, 74, 83A, 88, 94 and 96
- Directories 5, 6 and 9

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For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-16 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bl1416\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bl1416_spreadsheet.xls).

## 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,

A handwritten signature in black ink, appearing to read "Yvette W. Gilmore", with a long horizontal flourish extending to the right.

Yvette W. Gilmore  
Vice President  
Servicer Performance Management