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**TO: Freddie Mac Servicers**July 13, 2016 | 2016-13

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**SUBJECT: SERVICING UPDATES**

This Guide Bulletin announces:

**Freddie Mac Default Legal Matters and other litigation**

- Additional detail on reimbursable [attorney fees related to foreclosure sale postponements](#)
- Revisions related to [filing for relief from an automatic stay of bankruptcy – October 12, 2016](#)
- Updates concerning when Freddie Mac Legal Division [written approval must be obtained for certain legal actions and strategies](#)

**Loss mitigation property valuation requirements**

- Updates to [property valuation requirements](#) when evaluating Borrowers for certain loss mitigation options – **October 12, 2016**

**Foreclosure and post-foreclosure**

- The [elimination of the requirement to suspend foreclosure proceedings](#) in certain instances
- A clarification to the [remittance requirements for third-party foreclosure sales](#)
- Updates to specify that recovery vendors retained by Freddie Mac will provide a [letter of authorization when requesting documents](#)

**Senior Subordinate Mortgages**

- New requirements for Concurrent and Subsequent [Transfers of Servicing involving Senior Subordinate Mortgages](#) or Mortgages that Freddie Mac purchased for the purpose of transfer to a Senior Subordinate Trust – **New**

**Reimbursement of expenses and payment of incentives**

- A reminder that [Servicers must be set up to receive reimbursement of expenses and payment of incentives via Automated Clearing House \(ACH\) credit entries into their commercial checking accounts](#) no later than **August 1, 2016**

**EFFECTIVE DATE**

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

**FREDDIE MAC DEFAULT LEGAL MATTERS AND OTHER LITIGATION****Foreclosure sale postponements**

We are updating Guide Section 9301.28 to provide greater detail related to foreclosure sale postponements and attorney fees for actions required to postpone a foreclosure sale.

Foreclosure attorney fees for actions required to postpone the foreclosure sale are included in the attorney's fees listed in Guide Exhibit 57A when complying with the requirements in Subsections 9301.28(a), (b), (c) and (d). Additionally, with prior written approval from Freddie Mac, a Servicer may be reimbursed foreclosure attorney fees that exceed the expense limits in Exhibit 57A. To obtain written approval from Freddie Mac, the Servicer must submit a request for pre-approval (RPA) using the RPA functionality in the Freddie Mac Reimbursement System.

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Guide impacts: Sections 9301.28 and 9701.11

## Filing for relief from the automatic stay of bankruptcy

**Effective October 12, 2016**

Servicers must comply with the revised requirements below on and after **October 12, 2016**; however, Servicers are encouraged to implement these changes as early as possible.

In response to Servicer feedback, and in an effort to increase Servicer efficiencies when Servicing Mortgages subject to bankruptcy proceedings, we are updating our requirements related to filing for relief from the automatic stay of bankruptcy.

The Servicer must instruct bankruptcy counsel to file for relief from the automatic stay in accordance with the table below:

When to Instruct Bankruptcy Counsel to File for Relief from the Automatic Stay		
Bankruptcy petition	For Mortgages delinquent at the time of bankruptcy filing	For Mortgages that become delinquent subsequent to bankruptcy filing
<b>Chapter 7</b>	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>If the Borrower is at least 30 days delinquent, at the same time the Servicer refers the bankruptcy case to counsel</li> </ul> <p><b>New:</b></p> <ul style="list-style-type: none"> <li>If the Borrower is at least 60 days delinquent, at the same time the Servicer refers the bankruptcy case to counsel</li> <li>If the Borrower is less than 60 days delinquent, no later than the 60<sup>th</sup> day of Delinquency</li> </ul>	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>After the Borrower becomes 30 days delinquent</li> </ul> <p><b>New:</b></p> <ul style="list-style-type: none"> <li>No later than the 60<sup>th</sup> day of Delinquency</li> </ul>
<b>Chapters 11, 12 or 13</b>	<ul style="list-style-type: none"> <li>When the Borrower misses his or her second post-petition and/or plan payment to either the Servicer or the trustee</li> </ul> <p><b>(No change)</b></p>	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>After the Borrower becomes 45 days delinquent in payments to either the Servicer or the trustee</li> </ul> <p><b>New:</b></p> <ul style="list-style-type: none"> <li>When the Borrower misses his or her second post-petition and/or plan payment to either the Servicer or the trustee</li> </ul>

Guide impacts: Sections 9401.1, 9401.3, 9401.6, 9401.7 and 9401.8

## Requesting Freddie Mac's approval for certain legal actions and strategies

To ensure that Freddie Mac's Legal Division is aware of actions that may pose significant legal or reputational risk to Freddie Mac, Servicers are reminded that they must obtain written approval from the Freddie Mac Legal Division ([Nonroutine\\_litigation@freddiemac.com](mailto:Nonroutine_litigation@freddiemac.com)) prior to initiating or intervening in certain legal actions and strategies.

Because of the evolving nature of default-related litigation, we are enhancing the Guide to provide that approval must be obtained by the Servicer from the Freddie Mac Legal Division when:

- Filing a new legal action, other than a Freddie Mac Default Legal Matter, on behalf of Freddie Mac

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- Filing a motion to intervene in a pending legal action on behalf of Freddie Mac
  - Appealing or otherwise challenging a judgment in any foreclosure or bankruptcy proceeding, or any legal action in which Freddie Mac is a named party
  - Filing a notice of removal to federal district court for any legal action in which Freddie Mac is a named party
  - Asserting any position in a legal action that relates to Freddie Mac's status as a Government Sponsored Enterprise (GSE), its conservatorship, or its conservator, FHFA
  - Propounding discovery requests or otherwise serving or providing any discovery responses on behalf of Freddie Mac

Guide impacts: Sections 8601.24, 8601.25, 9402.1, 9402.2, 9402.3 and 9402.4

## **LOSS MITIGATION PROPERTY VALUATION REQUIREMENTS**

### **Effective October 12, 2016**

Servicers must comply with the revised requirements below on and after **October 12, 2016**; however, Servicers are encouraged to implement these changes as early as possible.

To provide greater clarity to Servicers regarding obtaining property valuations when evaluating Borrowers for certain loss mitigation options, we are updating the Guide as follows:

- Clarifying that, when evaluating the Borrower for certain loss mitigation options, in the event the Servicer had previously obtained a Freddie Mac-compliant property valuation, the Servicer should not obtain a new property valuation and must use the Freddie Mac-compliant property valuation if it is less than 90 days old
- With respect to certain charge-off recommendations, the Servicer must obtain and submit a Hazard Distressed BPO as supporting documentation to Freddie Mac, and it must be less than 90 days old on the date the Servicer makes the recommendation
- With respect to workout Mortgage assumption recommendations, if an automated value is not available in BPOdirect<sup>®</sup> or the Mortgage is secured by a 2- to 4-unit property or a Manufactured Home, then the Servicer must order a property valuation in accordance with Section 9202.17 and subject to the requirements of the chart in Section 9206.8, and it must be less than 90 days old on the date the Servicer makes the recommendation

Guide impacts: Sections 9202.19, 9206.8, 9207.4, 9209.5 and 9210.3

## **FORECLOSURE AND POST-FORECLOSURE**

### **Foreclosure suspension requirement elimination**

In Bulletin 2015-22, we announced updated Borrower contact and solicitations requirements, which amongst other things included eliminating the attorney post-referral to foreclosure solicitation letter that was required to be sent within five Business days following foreclosure referral. In connection with that announcement, we are updating Section 9301.28 to eliminate the requirement that the Servicer must suspend foreclosure proceedings for up to an additional 30 days if:

- The Mortgage is subject to judicial proceedings, and
- The Servicer receives a complete Borrower Response Package within 30 days of referral to foreclosure and greater than 37 days prior to the foreclosure sale date

This suspension period requirement was previously in place to allow the Servicer time to evaluate the Borrower Response Package and notify the Borrower of the decision.

With this change, in these instances, the Servicer is not required to delay legal action to conduct an evaluation of the package if the Servicer receives a complete Borrower Response Package for:

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- Mortgages that are not secured by Primary Residences, and
  - Mortgages secured by Primary Residences with a complete Borrower Response Package submitted after the First Complete Borrower Response Package

Guide impact: Section 9301.28

### **Third-party foreclosure sale remittance requirements**

We are updating Section 8303.3(b) to align the remittance requirements for third-party foreclosure sales with the requirements provided in Section 8303.10. Servicers should remit the principal and interest to liquidate the mortgage debt as opposed to remitting the sale proceeds.

Guide impacts: Section 8303.3

### **Deficiency recovery vendor documentation requests**

We are updating the Guide to advise Servicers that the recovery vendors retained by Freddie Mac will provide a letter of authorization when requesting documents. This update is being made to provide Servicers assurance that the document requests are being made with Freddie Mac's authorization.

Guide impacts: Sections 9210.5 and 9601.1

## **TRANSFERS OF SERVICING FOR SENIOR SUBORDINATE MORTGAGES**

We are retiring the requirements in Section 8601.12 in their entirety and replacing them with new requirements for Concurrent and Subsequent Transfers of Servicing involving Senior Subordinate Mortgages or Mortgages that we purchased for the purpose of transfer to a Senior Subordinate Trust.

The new requirements greatly enhance the transferability of Mortgage Servicing for such Mortgages by allowing their transfer to Seller/Servicers who are not "Participating Seller/Servicers" at the time of a Concurrent or Subsequent Transfer of Servicing. Such Transfers of Servicing remain subject to the Guide's requirement to obtain Freddie Mac's prior written approval. ("Participating Seller/Servicers" are Seller/Servicers who have entered into agreements to sell Mortgages to Freddie Mac with the understanding that Freddie Mac may then transfer ownership of such Mortgages to a Senior Subordinate Trust, giving rise to the Servicer's obligation to service those Mortgages in accordance with the Senior Subordinate Mortgage Servicing requirements in Guide Chapter 8601.)

### **Retirement of intra-Servicer transfer of Mortgage Servicing requirements**

We are retiring the intra-Servicer transfer of Mortgage Servicing requirements in Section 8601.12. These requirements obligated Participating Seller/Servicers to separately track Mortgages subject to the Servicing requirements in Chapter 8601 (i.e., Senior Subordinate Mortgages and Mortgages we intend to transfer, but have not yet transferred, to a Senior Subordinate Trust) from Freddie Mac-Owned or Guaranteed Mortgages that are not subject to Chapter 8601.

To separately track these Mortgages, each Participating Seller/Servicer serviced these Mortgages under a Freddie Mac provided "Senior Subordinate Servicer number."

To ensure the distinct identification of such Mortgages, Participating Seller/Servicers were required to transfer Servicing with respect to any Mortgage that was no longer subject to the Servicing requirements in Chapter 8601 (such as those that Freddie Mac repurchased from a Senior Subordinate Trust) to another servicer number under which the Participating Seller/Servicers serviced Mortgages that were not subject to the requirements in Chapter 8601. Such a Transfer of Servicing from the Senior Subordinate Servicer number to another Servicer number was referred to as an "intra-Servicer transfer."

The use of a Senior Subordinate Servicer number to separately track Mortgages subject to the requirements in Chapter 8601 from those that are not, is no longer a Servicing requirement and, accordingly, future Participating Seller/Servicers will not be required by Freddie Mac to use a Senior Subordinate Servicer number. Current Participating Seller/Servicers will not be required to conduct intra-Servicer Transfers of Servicing for the purpose of separately tracking Mortgages.

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## **New Concurrent and Subsequent Transfer of Servicing requirements**

We have replaced the intra-servicer transfer requirements in Section 8601.12 with new requirements for Concurrent and Subsequent Transfers of Servicing that involve Mortgages whose ownership Freddie Mac has transferred to a Senior Subordinate Trust and/or Mortgages that Freddie Mac purchased for the purpose of transfer to a Senior Subordinate Trust.

### ***Requirements for Sellers/Transferor Servicers***

Under the new requirements, the Seller/Transferor Servicer must use the updated Guide Form 960, *Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages*, or updated Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*, to inform the Transferee Servicer and Freddie Mac of the following:

- The inclusion, in the Transfer of Servicing, of any Mortgages that are being sold or were sold to Freddie Mac for the purpose of transfer to a Senior Subordinate Trust
- For any such Mortgage that has yet to transfer to a Senior Subordinate Trust, whether the Mortgage was the subject of any notice from Freddie Mac informing the Transferor Servicer of a prospective date of transfer to a Senior Subordinate Trust
- For any such Mortgage that has transferred to a trust, the name of the Senior Subordinate Trust

The Seller/Transferor Servicer also must provide the Transferee Servicer with copies of the provisions of any agreement under which Mortgages included in the Transfer of Servicing, if any, are being sold or were sold to Freddie Mac for the purpose of transfer to a Senior Subordinate Trust. For these Mortgages, the Seller/Transferee Servicer also must provide copies of any notice from Freddie Mac informing the Transferor Servicer of a prospective date of transfer to a Senior Subordinate Trust and inform the Transferee Servicer of the status of any ongoing or upcoming post-funding quality control review.

### ***Requirements for Transferee Servicers***

The Transferee Servicer, in turn, must comply with the requirements in the provisions of any agreements provided by the Seller/Transferor Servicer in accordance with the preceding paragraph and the newly revised Section 8601.12. These requirements may include, but are not limited to, faster delivery of loan files for post-funding quality control reviews and delivery of a greater percentage of loan files than other typical quality control reviews. In addition, Transferee Servicers of such Mortgages must have entered into a Document Custodian agreement using a version of Form 1035 or Form 1035DC that was revised on or after February 2015 before the Transfer of Servicing may take place.

Refer to Bulletin 2015-5 for additional background on Senior Subordinate Mortgages and Freddie Mac's rationale for conducting transfers of these Mortgages to a Senior Subordinate Trust.

Guide impacts: Sections 8601.1, 8601.3 and 8601.12 and Forms 960 and 981

## **REMINDER: REIMBURSEMENT OF EXPENSES AND PAYMENT OF INCENTIVES**

### **Effective August 1, 2016**

As a reminder, Servicers must be set up to receive reimbursement of expenses and payment of incentives via ACH credit entries into their commercial checking accounts no later than **August 1, 2016**. Servicers must submit the authorization agreement (following the steps outlined in Exhibit 98) at least seven Business Days before August 1, 2016, in order to receive expense reimbursements and incentive payments via ACH credit entries on or after August 1, 2016.

For questions regarding setup, Servicers may contact Freddie Mac at [Reimbursement\\_System\\_Setup@freddiemac.com](mailto:Reimbursement_System_Setup@freddiemac.com). Once Servicers are set up, they may submit any ACH credit-related questions or concerns to Freddie Mac at [104\\_Expense@freddiemac.com](mailto:104_Expense@freddiemac.com).

For more information, Servicers should review Bulletin 2016-2 or visit the [Reimbursement System](#) web page.

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## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2016-13 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bll1613\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bll1613_spreadsheet.xls).

## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select option four for Servicing.

Sincerely,

A handwritten signature in black ink, appearing to read "Yvette W. Gilmore". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Yvette W. Gilmore  
Vice President  
Servicer Performance Management



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**TO: Freddie Mac Sellers and Servicers**August 17, 2016 | 2016-14

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**SUBJECT: SELLING AND SERVICING UPDATES**

This Guide Bulletin announces:

**Selling and Servicing**

- Updates to the selling representation and warranty framework and the servicing remedies framework (collectively, the “remedies frameworks”), including:
  - Details of the [Independent Dispute Resolution \(IDR\) Process](#) introduced in Bulletin 2016-1, as well as expansion of the IDR Process to address alleged Servicing Defects that remain unresolved after completion of the initial Appeal Process
  - Introduction of [Impasse and Management Escalation Processes](#) (“escalation processes”), as part of the overall appeals process
  - [Additional Guide updates](#) in support of these changes

**Servicing**

- Updates to certain eligibility requirements for the [Freddie Mac Principal Reduction Modification](#)
- Revisions related to the expiration of the [Home Affordable Modification Program \(HAMP®\)](#)

**EFFECTIVE DATE**

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

**SELLING AND SERVICING**

The following updates are effective for:

- Mortgages with Settlement Dates **on or after January 1, 2016** in connection with Repurchase Demands, and
- Servicing Remedy letters issued **on or after December 1, 2016**, unless otherwise noted

**Independent Dispute Resolution (IDR) Process*****Background***

In Bulletin 2016-1, Freddie Mac, jointly with Fannie Mae, and at the direction of the FHFA, announced the IDR Process to address alleged loan-level breaches of selling representations and warranties (“selling defects”) that remain unresolved after completion of the Appeal Process. We are now providing additional detail and updating the Guide to support the IDR Process announced in Bulletin 2016-1.

Additionally, this Bulletin updates the IDR Process to include that Seller/Servicers have the opportunity to elect a final, binding resolution process to resolve disputes regarding loan-level Servicing Defects (in addition to selling defects) through the IDR Process, which is more streamlined and cost-efficient than litigation.

Seller/Servicers remain responsible for originating and Servicing Mortgages in accordance with the terms of Freddie Mac’s Purchase Documents.

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## **Overview of the IDR Process**

The IDR Process will not replace Freddie Mac's remedies frameworks and Appeal Process, but will allow a neutral third-party (the "Neutral") to resolve alleged selling defects and Servicing Defects that remain unresolved after the Appeal Process and escalation processes have been exhausted.

The IDR Process will be available to all active Seller/Servicers except those Seller/Servicers that have:

- Failed to timely comply with an IDR award related to any Mortgage (or Mortgages) that has/have been resolved through the IDR Process
- Failed to timely comply with any Repurchase Demand or Servicing Remedy letter after the time for challenging the Repurchase Demand or Servicing Remedy letter through the Appeal Process, Impasse Process, Management Escalation Process and IDR Process, as applicable, has expired, and/or
- Any outstanding amount that is owed and past due to any IDR Program Administrator

The Neutral will make the final determination about whether a selling defect or a Servicing Defect existed at the time the IDR Process commenced. The Neutral will not address remedies or any other issue other than whether the selling defect or the Servicing Defect existed at the time the IDR Process commenced. The written award from the Neutral will be final and binding upon and enforceable against the parties.

The IDR Process and requirements are set forth in the IDR Document, which can be accessed by Sellers and Servicers by visiting either the [Selling Representation and Warranty Framework](#) web page or [Freddie Mac Servicing Success Program](#) web page.

For questions regarding the IDR Process or information contained in the IDR Document, Sellers may contact Freddie Mac at [Remedy\\_Mgmt\\_Requests@freddiemac.com](mailto:Remedy_Mgmt_Requests@freddiemac.com) and Servicers may contact Freddie Mac at [Servicing\\_Remedies\\_Management@freddiemac.com](mailto:Servicing_Remedies_Management@freddiemac.com).

Guide impacts: Guide Sections 3401.1, 3602.8 and 3602.9

## **Impasse and Management Escalation Processes**

We are updating the Guide to provide an opportunity for escalation to the Impasse Process and to management in order to resolve as many disputes as possible before any IDR Process begins.

### ***Impasse Process***

Upon receipt of a Repurchase Demand or a Servicing Remedy letter, the Seller/Servicer may file an appeal and one additional appeal, if applicable (the "first appeal" and "second appeal," respectively and the "Appeal Process," collectively). If the first appeal is denied, and the second appeal is either not applicable or is denied, the Seller/Servicer may initiate the Impasse Process.

During the Impasse Process, a representative from the Seller/Servicer and a representative from Freddie Mac will attempt to resolve the dispute. At any time during the Impasse Process, the Seller/Servicer has the right to provide a correction of an alleged selling defect or Servicing Defect in accordance with the Guide.

Guide impacts: Sections 3602.8 and 3602.9

### ***Management Escalation Process***

If the dispute remains unresolved after the Impasse Process, the Seller/Servicer may initiate the Management Escalation Process. During the Management Escalation Process, an officer of Freddie Mac and an officer of the Seller/Servicer will attempt to resolve the dispute. However, when attempting to resolve the dispute, no new information may be submitted for consideration by either the Seller/Servicer or Freddie Mac as part of the Management Escalation Process.

If the Management Escalation Process does not resolve the dispute and the dispute meets the requirements set forth in Sections 3602.8 or 3602.9, as applicable, the Seller/Servicer may initiate the IDR Process.

Guide impacts: Sections 3602.8 and 3602.9

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## **Additional Guide updates**

### ***Appeal Process***

We are updating the Appeal Process to incorporate the new escalation processes as part of the overall appeals process.

If the Seller/Servicer timely appealed the Repurchase Demand or the Servicing Remedy letter and Freddie Mac does not respond to the Seller/Servicer's first or second appeal, if applicable, Freddie Mac will have no further right to pursue a remedy based on the alleged selling defect or Servicing Defect, except that a failure to respond to an appeal will not restrict Freddie Mac's ability to seek indemnity for third-party claims.

During the Appeal Process, the Seller/Servicer has the right to provide a correction of an alleged selling defect or Servicing Defect in accordance with the Guide.

Guide impacts: Sections 3602.3, 3602.8 and 3602.9

### ***Title-related defects***

#### **Effective immediately**

We are updating Section 3602.3 to further support the servicing remedies framework and the process for issuing notices of Servicing Defect or Servicing Remedy letters for title-related defects.

Freddie Mac's standard practice is to issue notices of Servicing Defect or Servicing Remedy letters upon identifying a Servicing Violation and/or related Servicing Defect. However, for title-related defects, Freddie Mac will issue a notice of Servicing Defect or a Servicing Remedy letter for a title-related defect only after liquidation of the Mortgage (i.e., after foreclosure or following completion of a deed-in-lieu of foreclosure), unless:

- A prior foreclosure has extinguished Freddie Mac's Mortgage, or
- Freddie Mac has determined that the title-related defect prevents foreclosure or other enforcement of Freddie Mac's rights under the Note or Mortgage (e.g., the title-related defect prevents the completion of a deed-in-lieu of foreclosure)

Additionally, in response to inquiries received from Servicers, we are updating Sections 9209.8 and 9301.40 to remind Servicers that issuance or purchase of a letter of indemnity, title insurance or similar form of indemnification does not constitute, and may not be used in lieu of, provision of clear and marketable title to the Mortgaged Premises.

Guide impacts: Sections 3602.3, 9209.8 and 9301.40

### **Terminology**

Capitalized terms above that are not included in the Glossary are defined in new Section 3602.1. As a result of this new section for the defined terms used in Guide Chapter 3602, all sections in Chapter 3602 and cross-references to sections in Chapter 3602 have been renumbered.

Guide impacts: Chapter 3602, Sections 3401.1, 3601.1, 4301.7, 4302.2, 6201.7, 8303.14, 8601.4, 9204.3 and Directory 1

### **Training**

To help Seller/Servicers further understand these updates to the remedies frameworks, additional information and/or reference documents will become available on our [Selling Representation and Warranty Framework](#) and [Freddie Mac Servicing Success Program](#) web pages at a later time. Seller/Servicers should watch for additional communications related to the remedies frameworks.

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## SERVICING

### Eligibility requirements for the Principal Reduction Modification

We are revising certain eligibility requirements for the Principal Reduction Modification introduced in Bulletin 2016-7 as follows:

- A Borrower who is in an active repayment or forbearance plan at the time of the Servicer's evaluation is ineligible for the Principal Reduction Modification. Servicers are encouraged to work with Borrowers who are transitioning out of a forbearance plan to determine if they are eligible for the Principal Reduction Modification.
- A Mortgage that was previously modified with Freddie Mac Standard Modification terms and became 60 or more days delinquent within 12 months of the Modification Effective Date is eligible for the Principal Reduction Modification only if it became current, subsequently re-defaulted and meets all other eligibility requirements provided in Bulletin 2016-7. The Mortgage must have been 90 days delinquent as of March 1, 2016 and a minimum of 30 days delinquent as of the date of the Servicer's evaluation.

### Revisions related to the expiration of HAMP

We are revising our evaluation model clauses and Streamlined Modification Borrower solicitation letters to align with revisions to certain requirements related to the expiration of HAMP that were announced in Bulletin 2016-10.

#### *Evaluation model clauses*

We are revising our evaluation model clauses in Exhibit 93 as follows:

Model Clause Revisions	
Effective Date	Revision
On and after September 1, 2016	Servicers <b>may</b> begin omitting information on Borrower incentive compensation from all Borrower Evaluation Notices
On and after November 1, 2016	Servicers <b>must</b> omit information on Borrower incentive compensation from all Borrower Evaluation Notices
On and after December 31, 2016	If a Borrower submits a Borrower Response Package after December 30, 2016, then the Servicer must: <ul style="list-style-type: none"><li>• Omit the HAMP modification from all Borrower Evaluation Notices</li><li>• Not send the HAMP Trial Period Plan Notice to the Borrower</li><li>• Omit the "Modification Program Review" section from the Standard Modification Trial Period Plan Notice</li></ul>

Additionally, we are revising the "Non-Approval, Proceed to Foreclosure" Borrower Evaluation Notice to account for revisions announced in Bulletin 2014-10.

Guide impact: Exhibit 93

#### *Streamlined Modification Borrower solicitation letters*

We are revising our Streamlined Modification Borrower solicitation letters as follows:

Streamlined Modification Borrower Solicitation Letter Revisions	
Effective Date	Revision
On and after September 1, 2016	Servicers <b>may</b> begin omitting information related to offering a Borrower a HAMP modification
On and after November 1, 2016	Servicers <b>must</b> omit information related to offering a Borrower a HAMP modification

Guide impacts: Exhibits 1191, 1191A and 1191B

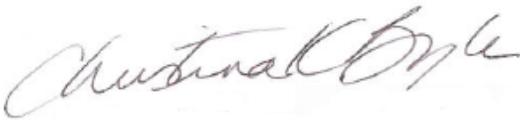
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### CONCLUSION

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

Sincerely,



Christina K. Boyle  
 Senior Vice President  
 Single-Family Sales and Relationship Management



**TO: Freddie Mac Sellers and Servicers**

August 22, 2016 | 2016-15

**SUBJECT: FREDDIE MAC INVESTOR REPORTING CHANGE INITIATIVE**

We are announcing the Freddie Mac Investor Reporting Change Initiative (“initiative”) to convert our single-family investor reporting requirements closer to an industry standard and update our remittance cycles. Through this initiative, we will streamline the reporting process, achieve operational efficiencies and provide Seller/Servicers a more complete view of investor reporting data. This initiative will also support and enhance the upcoming [Single Security](#) initiative.

**IMPLEMENTATION DATE**

To give Seller/Servicers sufficient time to assess system impacts and update their systems and business processes, the initiative will be implemented in the second half of 2018. Seller/Servicers will be notified when the implementation date is established and when they must take transitional actions to prepare for implementation.

**REVISIONS TO THE GUIDE**

The Guide will be updated in future Bulletins to include the initiative requirements.

**OVERVIEW OF CHANGES**

We are planning to make the following changes with the initiative:

- Our investor reporting cycle will change to align with an industry standard monthly calendar cycle, and we will also encourage and accept daily loan-level reporting
- Freddie Mac will draft monthly principal and interest and payoff remittances directly from the Servicer

The changes will apply to all Mortgages owned or guaranteed by Freddie Mac regardless of the reporting and remittance cycle currently in effect.

The chart below provides details of the key upcoming changes:

Activity	Current	Future
<b>Overall</b>		
Investor reporting cycle	16 <sup>th</sup> to the 15 <sup>th</sup>	1 <sup>st</sup> to the end of the month
Borrower activity period for investor reporting	16 <sup>th</sup> to the 15 <sup>th</sup>	1 <sup>st</sup> to the end of the month

Activity	Current	Future
<b>Reporting</b>		
Principal & Interest (P&I) reporting dates	5 Business Days after cutoff	Daily reporting is encouraged, but not required. The “P&I Determination Date” is the 15 <sup>th</sup> calendar day of the month (or next Business Day if the 15 <sup>th</sup> calendar day falls on a weekend or holiday). Servicers must submit loan-level reporting for each Mortgage on this date. Servicers should report any changes from the 16 <sup>th</sup> calendar day to the end of the month + 1 Business Day. (See <a href="#">Attachment A to this Bulletin, Future P&amp;I Reporting Dates and Drafting Timeline.</a> )
Corrections to previously reported activity	The end of the month – 4 Business Days	Daily through the end of the month + 1 Business Day
<b>Remittance</b>		
Payoff Remittance Due Date	5 <sup>th</sup> Business Day after the payoff date	No change
Remittance cycle and due date (P&I)	<a href="#">Multiple remittance types</a> (Gold/ARC; 1 <sup>st</sup> Tuesday of the following month; other remittance schedules)	Single remittance type. Freddie Mac will directly draft from the Servicer two Business Days after the P&I Determination Date.  The current cycle interest due is based upon the UPB reported at the end of the prior cycle.  The principal drafted is the actual principal collected from the 16 <sup>th</sup> calendar day of the prior month through the 15 <sup>th</sup> calendar day of the current month (or next Business Day if the 15 <sup>th</sup> calendar day falls on a weekend or holiday).  (See <a href="#">Attachment A</a> to this Bulletin.)
Remittance method (P&I and payoff)	Funds are remitted via Global Payments Inc. (GPI)	Freddie Mac will directly draft from the Servicer on the due date

Activity	Current	Future
<b>Other Activities</b>		
DDLPI reporting	DDLPI is reported via EDR and investor reporting, with EDR being considered the source of record for determining Delinquency	DDLPI reported via investor reporting will be considered the source of record for determining Mortgage status and Delinquency

Refer to [Attachment A](#) to this Bulletin for examples that highlight the relationship between the P&I Determination Date and drafting date and an illustration of the future investor reporting and drafting timeline.

## OPERATIONAL AND TECHNOLOGICAL UPDATES

As with any long-term initiative, numerous operational and technological updates and testing will be needed to accommodate these changes. We are committed to keeping Seller/Service providers informed as the initiative progresses and we will engage with Seller/Service providers throughout this initiative to help ensure a smooth transition. Seller/Service providers will be provided with the information needed to plan and execute required system and business process updates, with sufficient time to implement.

## STAY INFORMED OF REQUIREMENTS

Seller/Service providers should visit the [Investor Reporting Change Initiative](#) web page periodically for initiative requirements, technical specifications, the latest news and frequently asked questions.

Beginning in the fall of 2016 and as the initiative progresses, we will post detailed requirements and technical specifications to the [Investor Reporting Change Initiative](#) web page as they become available. These requirements and specifications will constitute Purchase Documents. We will also update the Guide periodically to incorporate transitional and final requirements that will go into effect as we move toward implementation of the initiative in 2018.

Seller/Service providers should also subscribe to the [Single-Family Business Subscription Center](#) to receive additional initiative updates as they are published.

## CONCLUSION

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

Sincerely,



Yvette W. Gilmore  
Vice President  
Servicer Performance Management

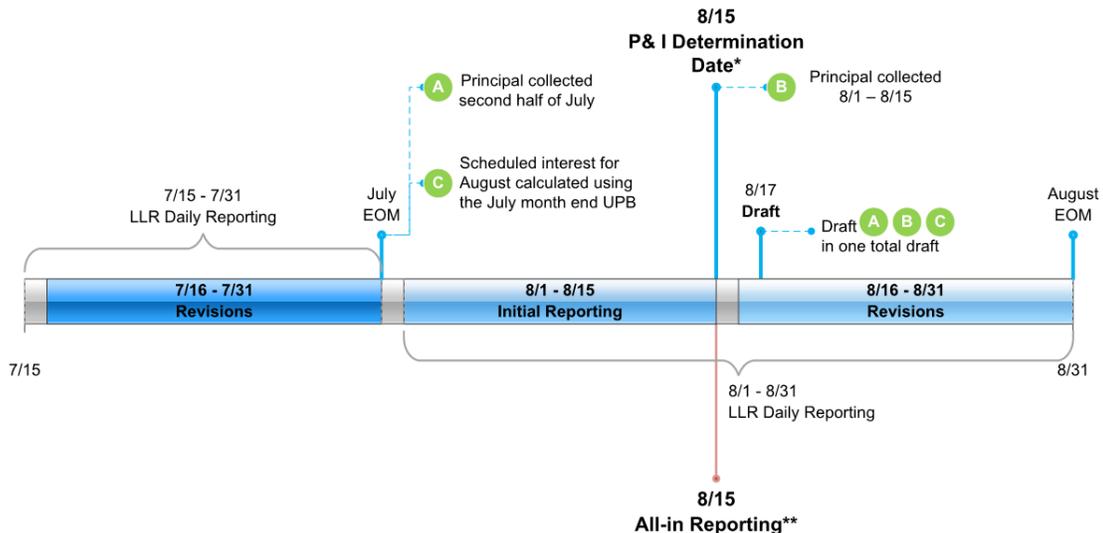
## Attachment A to Bulletin 2016-15

### Future P&I Reporting Dates and Drafting Timeline

#### (a) Relationship Between P&I Determination Date and Drafting Date

P&I Determination Date	Actual P&I Determination Date	Drafting Date
15th (Monday)	15th (Monday)	17th (Wednesday)
15th (Tuesday)	15th (Tuesday)	17th (Thursday)
15th (Wednesday)	15th (Wednesday)	17th (Friday)
15th (Thursday)	15th (Thursday)	19th (Monday)
15th (Friday)	15th (Friday)	19th (Tuesday)
15th (Saturday)	17th (Monday)	19th (Wednesday)
15th (Sunday)	16th (Monday)	18th (Wednesday)

#### (b) Loan Activity Reporting and Drafting Timeline for P&I



\*P&I Determination Date: The date that Freddie Mac will calculate the draft of the actual principal that has been collected and successfully reported for the current cycle.

\*\*All-in Reporting: On the 15<sup>th</sup> calendar day, each Servicer is required to submit a loan level record for each loan serviced in its portfolio.



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**TO: Freddie Mac Sellers**August 24, 2016 | 2016-16

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**SUBJECT: SELLING UPDATES**

This Guide Bulletin announces:

**Property Assessed Clean Energy (PACE) obligations**

- Updates to our requirements to [allow PACE or PACE-like obligations that result in or provide for First Lien priority to be paid off with the proceeds of a “no cash-out” refinance Mortgage](#), provided that the Mortgage being refinanced is owned in whole or in part or is securitized by Freddie Mac

**Property eligibility**

- Updates to our [condominium requirements – March 1, 2017](#)
- Additional [guidance for properties in rural locations and other property eligibility updates](#)

**Seller and Warehouse Lender Certificates of Incumbency requirements**

- Updates to the Guide to reflect our current practice requiring that Sellers and Warehouse Lenders renew their [certificate of incumbency every two years](#) and their board of directors or other governing body resolutions every four years

**Electronic Recording of Paper Closing Documents – September 14, 2016**

- [Removal of the requirement that a Seller retain a paper Security Instrument signed by the Borrower](#), unless required by applicable law, if an Electronic copy of the Security Instrument is electronically recorded at the recorder’s office

**Additional Guide updates**

- 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.

**PACE OBLIGATIONS**

Due to the continued proliferation of energy retrofit loan programs such as PACE, we are updating our requirements to allow PACE or PACE-like obligations (either referred to as a “PACE obligation”) that result in or provide for First Lien priority to be paid off with the proceeds of a “no cash-out” refinance Mortgage, provided that the Mortgage being refinanced is owned in whole or in part or is securitized by Freddie Mac. This change will provide Borrowers with an additional option to pay off PACE obligations.

A PACE obligation, as defined in Guide Section 4301.8, refers to any energy retrofit Mortgage that is:

- Used to finance energy conservation improvements, and
- Repaid through a property tax assessment

This is an expansion of our previous requirements, which provided similar flexibility but only for the refinance of Mortgages with Freddie Mac Settlement Dates before July 6, 2010 secured by properties subject to PACE obligations originated before July 6, 2010.

Sellers must deliver new Investor Feature Identifier (IFI) “H61” for “no cash-out” refinance Mortgages owned in whole or in part or securitized by Freddie Mac when the PACE obligation is paid-off with the Mortgage proceeds.

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Guide impacts: Sections 4301.4, 4301.8 and 6302.16 and Guide Exhibit 34

## PROPERTY ELIGIBILITY

### Special requirements for condominiums

#### Effective March 1, 2017, but Sellers are encouraged to implement immediately

In light of recent market and industry trends, and in response to Seller inquiries, we are revising certain requirements related to condominiums in Guide Chapter 5701. Specifically, we are:

- Revising the ineligible project list in Section 5701.3 to state that:
  - A conversion of a property with a prior use as a hotel (or similar type of transient housing) that is a Gut Rehabilitation, as defined in Section 5701.1(b), is an eligible project if the resulting Condominium Units no longer have the characteristics of a hotel or similar type of transient housing
  - A Housing Finance Agency (HFA) and similar entities based on State or local law or regulation are entities that can have a percentage of ownership in a project of no more than 15% without the project being considered ineligible due to excessive single investor concentration, provided certain requirements are met
- Revising the requirements relating to a Seller's review of a Condominium Project conversion to determine project eligibility
- Revising reciprocal project review requirements relating to acceptance of a Fannie Mae "Full Review" completed with the assistance of Condo Project Manager™ (CPM™)
- Clarifying that Common Elements, such as parking and recreational facilities, must not be subject to a lease between unit owners or the homeowners association (HOA) (as lessee) and any other party (as lessor), with the exception of commercial leases for parking or permit arrangements for parking entered into with parties unrelated to the developer
- Adding "Gut Rehabilitation" and "Non-Gut Rehabilitation" as defined terms in Section 5701.1(b)

Guide impacts: Sections 5701.1, 5701.2, 5701.3, 5701.6 and 5701.9

### Guidance for properties in rural locations and property eligibility updates

As a result of Seller and industry stakeholder feedback, we are addressing misconceptions related to general property eligibility, including requirements related to properties in rural areas. Specifically, we are reorganizing and rewording certain requirements to improve readability, reduce redundancies and remove obsolete language. We are also providing further guidance and examples.

Refer to our [Freddie Mac Requirements for Rural Properties Q & A](#) web page that addresses some of the questions we receive related to rural properties. Sellers are also encouraged to visit the Freddie Mac Learning Center to register for our updated [Reviewing Rural Properties](#) webinar.

Additionally, **effective December 1, 2016**, we are adding a new requirement that Mortgages are ineligible for purchase by Freddie Mac if they are secured by properties that are subject to coastal tideland, wetlands or setback laws and/or regulations that prevent the rebuilding of the property improvements if they are damaged or destroyed.

Guide impacts: Sections 5601.2 and 5601.12

## SELLER AND WAREHOUSE LENDER CERTIFICATES OF INCUMBENCY REQUIREMENTS

Section 2201.1 requires each Seller to provide Freddie Mac with a certificate of incumbency ("Certificate of Incumbency" or "COI") together with a governing body resolution. We are updating Section 2201.1 to:

- 
- Include our current practice of Seller renewal of its COI every two years and the resolution of its board of directors or other governing body (i.e., sole member, general partner, board of members) every four years
  - State that if a Seller fails to deliver an acceptable COI to Freddie Mac, Freddie Mac has the right, in its sole discretion, to disable the Seller's access to the Selling System<sup>SM</sup>
  - Authorize Sellers to submit these documents via Portable Document Format (PDF) to the [counterparty\\_authorization@freddiemac.com](mailto:counterparty_authorization@freddiemac.com) mailbox

We are also updating Section 6305.12 to reflect the above changes for the COI provided by Warehouse Lenders.

Additionally, we are updating Forms 483, 987E, 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF, 990SF and 990ASF to indicate where to e-mail PDF versions of these forms and to change our mailing address information for Seller submission. The Seller should submit these forms to Freddie Mac, attention Counterparty Authorization.

Form 987 is being deleted as this form is no longer used.

Guide impacts: Sections 2201.1, 2201.2, 6305.3, 6305.9, 6305.10 and 6305.12 and Forms 483, 987, 987E, 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF, 990SF and 990ASF and Directory 8

## **ELECTRONIC RECORDING OF PAPER CLOSING DOCUMENTS**

### **Effective September 14, 2016**

In response to Seller/Servicer feedback we are removing the requirement that a Seller/Servicer retain the original paper Security Instrument signed by the Borrower ("Original Security Instrument") if an Electronic (as defined in Section 1401.2) copy of the Original Security Instrument is electronically recorded at the recorder's office, as long as:

- The Seller securely stores (with the other Electronic Mortgage file documents) either (1) the electronically recorded copy of the Original Security Instrument or (2) the recorder's office other form of recording confirmation with the recording information thereon, and
- Applicable law does not require storage of the Original Security Instrument signed by the Borrower

We have updated Section 1401.14 to reflect these changes for Original Security Instruments and any other paper closing documents. Section 1401.15 has also been updated to correspond to the changes made in Section 1401.14.

Removing this requirement addresses one of the barriers for eMortgage adoption in the industry, permitting more Mortgage file documents to be Electronic and reducing some storage costs for Seller/Servicers.

Guide impacts: Sections 1401.2, 1401.14, 1401.15, 3301.2 and 3302.2

## **ADDITIONAL GUIDE UPDATES**

### **Selling System automation to support completion of delivery for Guarantor/MultiLender contracts**

As stated in Section 6301.8, settlement cannot occur until delivery is complete as described in that section (see also Chapters 6101, 6102, 6203, 6204 and 6205 regarding requirements for funding/settlement). Currently, if a Seller's Guarantor or MultiLender Swap delivery is not complete by 8:00 p.m. Eastern Time on the day immediately preceding the Settlement Date, the Seller is required to manually postpone settlement or cancel the contract, as applicable. The Selling System will be updated to automate this process and we will notify Sellers in advance of the implementation of this change.

In support of the Selling System update, we are updating Section 6301.8 regarding Freddie Mac's right to cancel or postpone settlement, as applicable, if the Seller does not complete delivery requirements by the applicable deadline.

Guide impact: Section 6301.8

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## **ARMs with Lifetime Floors update**

To support implementation of the updated ARM Notes and Riders that impose a Lifetime Floor announced in Bulletin 2016-12, we are updating the Guide to add back requirements related to completing Section 4(D) of an ARM Note. The instructions are provided in new Section 4101.2(c)(iii).

We are also revising Section 4401.5(c) to reflect the ARM Note completion instructions.

Guide impacts: Sections 4101.2 and 4401.5

## **Home Possible® Income & Property Eligibility tool**

As announced in our [Single-Family Update e-mail](#) dated August 9, 2016, we introduced an enhanced version of the Affordable Income & Property Eligibility tool, which is used to determine the income eligibility for Home Possible Mortgages. The tool now has a map-based capability that enables users to search by address and see the area median income where the property is located, the applicable Home Possible qualifying income limit and the Federal Information Processing Standard (FIPS) code number for the census tract. To better reflect its purpose and tie to Home Possible, the tool has been renamed the [Home Possible Income & Property Eligibility](#) tool.

Guide impact: Section 4501.7

## **Mortgage Insurance Fund of the Massachusetts Housing Finance Agency**

Our July 29, 2016 [Single-Family Update e-mail](#) notified Seller/Service providers that any Mortgage sold to Freddie Mac that is insured by the Massachusetts Housing Finance Agency through its Mortgage Insurance Fund and has an Application Received Date on or after October 1, 2016, must be insured under the updated Loan Loss Reserve Agreement (LLRA), related endorsements and other forms, which include:

- Loan Loss Reserves Agreement – LLRA 2016, dated October 1, 2016
- Mortgage Payment Protection Endorsement – LLRA E-2016, dated October 1, 2016
- Commitment/Certificate – LLRA C-2016, dated October 1, 2016

Exhibit 10 has been updated to add the new LLRA number.

Guide impacts: Exhibit 10

## **Purchase Document confidentiality**

Freddie Mac has updated the Guide to identify Master Agreements, Master Commitments and Guide Plus Additional Provisions as “confidential information,” as defined in Section 1201.8.

Guide impacts: Sections 1501.1 and 1501.3

## **Indicator Score/Loan-to-value delivery fee language revision**

We are updating the language related to Indicator Score/Loan-to-Value delivery fees in Sections 5203.2 and 6303.1 to more closely align with Selling System functionality.

Guide impacts: Sections 5203.2 and 6303.1

## **GUIDE UPDATES SPREADSHEET**

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2016-16 (Selling) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bll1616\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bll1616_spreadsheet.xls).

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## CONCLUSION

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Christina K. Boyle".

Christina K. Boyle  
Senior Vice President  
Single-Family Sales and Relationship Management



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**TO: Freddie Mac Servicers**September 14, 2016 | 2016-17

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**SUBJECT: SERVICING UPDATES**

This Guide Bulletin announces:

**Freddie Mac Servicing Success Program**

- [Freddie Mac Servicer Success Scorecard \(“Scorecard”\)](#) changes, including revisions to default management and investor reporting metrics, and ranking methodology for the default management category – **January 1, 2017**

**Freddie Mac State foreclosure timelines**

- Updates to our [State foreclosure timelines](#)

**Freddie Mac Standard Deed-in-Lieu of Foreclosure**

- Updates to our closing, reporting and remittance requirements when closing a [deed-in-lieu of foreclosure](#) – **November 14, 2016**

**Reimbursement**

- Updates to our [reimbursement requirements](#) for when a foreclosure must be restarted – **October 24, 2016**

**Additional Guide updates and reminders**

- Further updates and revisions as described in the [“Additional Guide Updates and Reminders”](#) section of this Bulletin

**SERVICER SUCCESS SCORECARD****Effective date**

These changes will be effective beginning with a Servicer’s **January 1, 2017** performance. These performance results will be visible on the Servicer Performance Profile web site in late February 2017 and we plan to publish performance results on the last Business Day of each month thereafter. Servicers will be notified once a specific date is established.

**Overview of changes**

In continuing to review Servicer performance and market conditions, and as a result of discussions among Freddie Mac, Fannie Mae and the FHFA, we are revising certain Scorecard metrics.

We are making a number of changes for both default management and investor reporting metrics, including:

- Adding new metrics
  - Revising some existing metrics (including calculation changes)
  - Removing some existing metrics
  - Amending weights so that all of the default management metrics will be equally weighted
  - Changing ranking methodology and Servicer segmentation
  - Changing the term “peer group” to “rank group”
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- Introducing a “Pass/Fail” system as a performance indicator for investor reporting metrics

The revised calculations are provided in [Attachment A to this Bulletin, Definitions for the Revised Servicer Success Scorecard Metrics](#).

### Preview period

We will provide a preview period beginning in November 2016 to allow Servicers to view their performance under the new/revised metrics. Servicers will be notified once the preview period has begun.

Servicers should begin to review their operations to determine what they may need to change in order to meet our revised Scorecard metrics.

### Servicer Success Scorecard metrics comparison

The following table compares the current metrics to the new/revised metrics. While current and future metrics may appear to be unchanged in the table below, **all of the calculations for the metrics are changing**. For example, while current metrics may have a rolling three-month performance period, the new/revised metrics will typically have a one-month performance period. Therefore, it is important that Servicers refer to [Attachment A to this Bulletin](#) for specific information regarding the future metrics.

Current Metrics	Future Metrics
<b>Default Management</b>	
	Transition from 30 to 60+ <b>(New)</b>
Transition to 60+	Deleted
60 to Worse	Deleted
90+ to Worse	Deleted
Cure Efficiency	Cure Efficiency
Retention Efficiency	Retention Efficiency
Liquidation Efficiency	Liquidation Efficiency
12-Month Performance	6-Month Modification Performance <b>(Revised)</b>
	Total Timeline Trend <b>(New)</b>
Avg Age Past FCL Sale Std	Deleted
Beyond Timeline Resolution Rate	Deleted
Initial Delinquency Reporting	Deleted
Final Delinquency Reporting	Deleted
Accuracy of DDLPI Reporting	Deleted
Timely REO Notifications	Deleted

Current Metrics	Future Metrics
<b>Investor Reporting</b>	
Shortage Percentage	Cash Shortage <b>(Revised)</b>
Percent Hard Rejects Over 90 days old	Deleted
Percent Soft Rejects Over 90 days old	Deleted
Percent of Hard Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio	Deleted
Percent of Soft Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio	Deleted
Percent of Ending Hard Rejects to Total Loans in Portfolio	Deleted
Average Number of Days to Report Payoffs	Average Number of Days to Report Payoffs
	Aged Edits Past 30+ Days <b>(New)</b>

Definitions for the revised Scorecard metrics are also set forth in [Attachment A to this Bulletin](#).

## Ranking changes for default management metrics

### **Rank groups**

To address confusion related to the use of the term “peer group,” we are amending the term (as defined in Guide Section 3501.2) from “peer group” to “rank group.”

To further minimize the impact that portfolio composition differences among Servicers may have on rankings in the default management category, we are revising how Servicers are ranked. Servicers will now be placed into four different rank groups (Groups 1 through 4) based on the total number of Mortgages serviced for Freddie Mac:

- Group 1: Servicers Servicing 100,000 or more Freddie Mac Mortgages
- Group 2: Servicers Servicing between 20,000 and 99,999 Freddie Mac Mortgages
- Group 3: Servicers Servicing between 10,000 and 19,999 Freddie Mac Mortgages
- Group 4: Servicers Servicing less than 10,000 Freddie Mac Mortgages

While Servicers in Groups 3 and 4 will see their actual performance and the performance of their synthetic portfolios, as applicable, they will not receive rankings for each metric nor an overall ranking within their rank groups.

As a reminder, the portfolio composition parameters chosen by Freddie Mac to determine rank groups may be amended from time to time.

### **Ranking methodology and calculation changes**

For default management metrics, a Servicer’s rank is determined by comparing the actual performance for each metric against the performance of the Servicer’s synthetic portfolio. To calculate the actual performance, create the synthetic portfolio and determine the rank for each metric, there must be at least 20 Mortgages that fit the parameters for the denominator of each metric in the default management category.

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For example, there must be at least 20 Mortgages that qualify for the denominator of the “Transition from 30 to 60+” metric in the measured time period.

Further, in the event the ranking cannot be determined for any of the below metrics, a Servicer will not receive an overall rank within its rank group. Specifically, for a Servicer to receive an overall rank within its rank group, all of the following default management metrics must have a rank that can be determined:

- Group 1: Transition from 30 to 60+, Cure Efficiency, Retention Efficiency, Liquidation Efficiency, 6-Month Modification Performance and Total Timeline Trend
- Group 2: Transition from 30 to 60+, Cure Efficiency and Retention Efficiency

#### ***Determination of unacceptable Scorecard result***

As a reminder, a Servicer will be presumed to have an unacceptable Scorecard result if the Servicer’s overall rank is in the bottom 25% of ranked Servicers in the Servicer’s rank group. If the Servicer does not receive an overall rank within its rank group, this will not apply.

Freddie Mac will continue to consider factors such as trends in performance, adequacy of staffing, audit results, the Scorecard results, Servicer Success File Reviews and/or compliance with all requirements of the Purchase Documents in evaluating whether the Servicer’s overall performance is unacceptable for purposes of Section 2301.2.

#### **Guide impacts**

We are updating Sections 3501.2, 8301.3, 8303.30 and 9201.5 to reflect these Scorecard changes.

#### **Training**

To help Servicers understand the Scorecard changes announced in this Bulletin, training and reference documents will be available when the preview period begins. We will communicate to Servicers when additional training and resources are available on the [Freddie Mac Learning Center](#). Servicers should also visit the [Freddie Mac Servicing Success Program](#) web page for periodic updates.

### **STATE FORECLOSURE TIMELINES**

#### **Effective for all foreclosure sales completed on and after September 1, 2016**

At the direction of the FHFA and in response to our periodic review, Freddie Mac and Fannie Mae are increasing the State foreclosure timelines in 22 jurisdictions (Alaska, Delaware, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Montana, New Hampshire, New Jersey, New Mexico, New York, New York City, Oklahoma, Oregon, Puerto Rico, Rhode Island, South Carolina, South Dakota, Vermont, Washington and Wisconsin).

Additionally, the State foreclosure timelines in eight jurisdictions (Arizona, Georgia, Hawaii, Kansas, Minnesota, Mississippi, Nebraska and West Virginia) will be decreased.

All other State foreclosure timelines will remain unchanged at this time. While all updated State foreclosure timelines will be effective for foreclosure sales completed on and after September 1, 2016, the decreased timelines in the eight jurisdictions will be applicable only to Mortgages with a DDLPI on and after April 1, 2016.

Servicers should review Guide Exhibit 83, *Freddie Mac State Foreclosure Timelines*, in its entirety for the revised requirements.

Guide impact: Exhibit 83

### **DEED-IN-LIEU OF FORECLOSURE**

Servicers must comply with the revised requirements below on and after **November, 14, 2016**; however, Servicers are encouraged to implement these changes as early as possible.

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We are updating Section 9209.8 to increase Servicer efficiencies when closing a deed-in-lieu of foreclosure and reduce associated mailing costs.

Following receipt of the executed deed, or for a leasehold Mortgage, the executed lease assignment or a new lease, as applicable (collectively, the "lease"), the Servicer must e-mail Freddie Mac at [DIL\\_Lease Personal Property Release Documentation@freddiemac.com](mailto:DIL_Lease_Personal_Property_Release_Documentation@freddiemac.com):

- A copy of the signed personal property release and, for a leasehold Mortgage, a copy of the lease within five Business Days of receiving the executed deed or lease
- The recorded deed or lease within one Business Day of receiving the recorded deed or lease

The Servicer must ensure that the recorded deed or lease and all other required deed-in-lieu of foreclosure documents (including the personal property release) are maintained in the Mortgage file and available to Freddie Mac upon request.

Guide impacts: Section 9209.8 and Directory 6

## **REIMBURSEMENT REQUIREMENTS FOR WHEN A FORECLOSURE MUST BE RESTARTED**

These changes will be effective for all reimbursement claims submitted in the Freddie Mac Reimbursement System **on and after October 24, 2016**.

To increase Servicer efficiencies, we are updating the reimbursement requirements for foreclosure attorney fees and costs when a non-judicial foreclosure must be restarted.

In certain States identified in Exhibit 57A, *Approved Attorney Fees and Title Expenses*, if the Servicer must restart a foreclosure proceeding, in whole or in part, due to an allowable delay as defined in Section 9301.46, Freddie Mac will reimburse the Servicer as follows:

- All of the reimbursable costs (per the requirements of the Guide) of each foreclosure attempt and the completed foreclosure
- Up to 70% of the approved foreclosure attorney fees for the first foreclosure attempt
- Up to 100% of the approved foreclosure attorney fees for the completed foreclosure

Additionally, for any foreclosure attempt subsequent to the first foreclosure attempt, except for the completed foreclosure, the Servicer may be reimbursed up to 70% of the approved foreclosure attorney fees with prior written approval from Freddie Mac. To obtain written approval from Freddie Mac, the Servicer must submit a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System.

Freddie Mac will not reimburse the Servicer for any fees or costs associated with a restarted foreclosure if the Servicer has to restart a foreclosure proceeding due to a delay that is not considered an allowable delay as defined in Section 9301.46, or due to Servicer non-compliance with the Guide.

We have also updated Exhibit 57A to add Nebraska and Utah as States impacted by the reimbursement requirements above.

Guide impacts: Sections 9301.46 and 9701.12 and Exhibit 57A

## **ADDITIONAL GUIDE UPDATES AND REMINDERS**

**Effective immediately**

### **Electronic recording of Paper Closing Documents**

As announced in Bulletin 2016-16 and in response to Seller/Servicer feedback, we are removing the requirement that a Seller/Servicer retain the original paper Security Instrument signed by the Borrower ("Original Security Instrument") if an Electronic (as defined in Section 1401.2) copy of the Original Security Instrument is electronically recorded at the recorder's office, as long as:

- 
- The Seller securely stores (with other Electronic Mortgage file documents) either (1) the electronically recorded copy of the Original Security Instrument or (2) the recorder's office other form of recording confirmation with the recording information thereon, and
  - Applicable law does not require storage of the Original Security Instrument signed by the Borrower

We have updated Section 1401.14 to reflect these changes for Original Security Instruments and any other paper closing documents. Section 1401.15 has also been updated to correspond to the changes made in Section 1401.14.

Removing this requirement addresses one of the barriers for eMortgage adoption in the industry, permitting more Mortgage file documents to be Electronic and reducing some storage costs for Seller/Servicers.

Sections 1401.2, 1401.14, 1401.15, 3301.2 and 3302.2 were revised in Bulletin 2016-16 to reflect these changes.

### **Custodial Account documentation requirements**

We are updating Exhibit 58, *Draft Letter of Authorization*, to add fields for the Principal and Interest Custodial Account or Principal and Interest Disbursement Clearing Custodial Account number and American Bankers Association (ABA) routing number for the Custodial Account. Exhibit 58 is used to authorize the Servicer's bank to honor electronic debits initiated through the Automated Clearinghouse (ACH) system against the subject account at the Servicer's bank.

We are also updating the Guide to remove the requirement for a Servicer to provide a voided blank check or magnetic ink character recognition (MICR) specification sheet to Freddie Mac upon opening a Custodial Account at an Eligible Depository.

Guide impacts: Sections 8302.7, 8302.13 and Exhibit 58

### **Exhibit 96, *Servicing Incentives and Compensatory Fees***

We are updating Exhibit 96 to align the loan level compensatory fee calculation for State foreclosure timelines with the information provided in Exhibit 83A.

Guide impact: Exhibit 96

### **Form 1034T, *Subsequent Transfer Document Custodial Certification Schedule***

We are updating the Freddie Mac contact information for submitting Form 1034T following a Transfer of Servicing or transfer of custody. Servicers should now mail the form to our Loan Acquisitions department at 1551 Park Run Drive, McLean, VA 22101 or e-mail it to us at [Loan\\_Delivery\\_Funding\\_Ops@freddiemac.com](mailto:Loan_Delivery_Funding_Ops@freddiemac.com).

Guide impact: Form 1034T

## **GUIDE UPDATES SPREADSHEET**

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2016-17 (Servicing) Guide Updates Spreadsheet available at [http://www.freddiemac.com/singlefamily/guide/docs/bll1617\\_spreadsheet.xls](http://www.freddiemac.com/singlefamily/guide/docs/bll1617_spreadsheet.xls).

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## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select option four for 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



**Attachment A to Bulletin 2016-17**  
**Definitions for the Revised**  
**Servicer Success Scorecard Metrics**

Definitions and calculations for all the Servicer Success Scorecard metrics are provided in the table below.

**DEFAULT MANAGEMENT METRICS**

Metrics	Definition/Calculation
Transition from 30 to 60+	<p><b><u>Numerator</u></b>            Number of 30 day delinquent (D30) loans in the previous month that rolled to a 60+ days delinquent (D60+) status (not in foreclosure (FCL)) in the current month</p> <p><b><i>Divided by</i></b></p> <p><b><u>Denominator</u></b>            Number of D30 loans in the previous month</p> <p><b>Excluding:</b>            Government Loans, Transfer of Servicing (Global Family change between Denominator and Numerator), Probate, Government Seizure, Service Members Civil Relief Act (SCRA), Unemployment Forbearance, Disaster Forbearance, Appeal of Loan Mod, Litigation, Bankruptcy, Condemned Property, Non-Bankruptcy Trials less than four months old and Bankruptcy Trials less than 12 months old</p>
Cure Efficiency	<p><b><u>Numerator</u></b>            Number of D60+ loans (including loans in FCL) that cure or payoff in the current month. Full reinstatements, closed loan modifications, successful repayment plans, payoffs (prepayment/maturity) and repurchases will be considered in the numerator.</p> <p><b><i>Divided by</i></b></p> <p><b><u>Denominator</u></b>            Number of D60+ loans (including loans in FCL) in the previous month</p> <p><b>Excluding:</b>            Government Loans and Transfer of Servicing (Global Family change between Denominator and Numerator)</p>

Metrics	Definition/Calculation
<p><b>Retention Efficiency</b></p>	<p><b><u>Numerator</u></b>  Number of D60+ loans (including loans in FCL) that initiated a trial period plan in the current month</p> <p><b><i>Divided by</i></b></p> <p><b><u>Denominator</u></b>  Number of D60+ loans (including loans in FCL) in the previous month</p> <p><b>Excluding:</b>  Government Loans, Transfer of Servicing (Global Family change between Denominator and Numerator), Non-Bankruptcy Trials less than four months old and Bankruptcy Trials less than 12 months old</p>
<p><b>Liquidation Efficiency</b></p>	<p><b><u>Numerator</u></b>  Number of 90+ days delinquent (D90+) loans (including loans in FCL) that result in a liquidation (i.e., settled short sale, notified deed-in-lieu of foreclosure (DIL) or a notified foreclosure sale (REO or Third Party)) during the current month</p> <p><b><i>Divided by</i></b></p> <p><b><u>Denominator</u></b>  Number of D90+ loans (including loans in FCL) in the previous month</p> <p><b>Excluding:</b>  Government Loans, Transfer of Servicing (Global Family change between Denominator and Numerator), Non-Bankruptcy Trials less than four months old and Bankruptcy Trials less than 12 months old</p>
<p><b>6-Month Modification Performance</b></p>	<p><b><u>Numerator</u></b>  Number of closed modifications that are current six months after the modification effective date, or paid off (prepayment/maturity) within six months of the modification effective date</p> <p><b><i>Divided by</i></b></p> <p><b><u>Denominator</u></b>  Number of modifications with a modification effective date six months prior to current month</p> <p><b>Excluding:</b>  Government Loans and Transfer of Servicing (Global Family change between Denominator and Numerator)</p>

Metrics	Definition/Calculation
<b>Total Timeline Trend</b>	<p><b><u>Numerator</u></b>  Total number of delinquent days beyond the allowable State foreclosure timeline in the current month</p> <p><b><i>Divided by</i></b></p> <p><b><u>Denominator</u></b>  Total number of delinquent days beyond the allowable State foreclosure timeline in the previous month</p> <p><b>Excluding:</b>  Government Loans, Transfer of Servicing (Global Family change between Denominator and Numerator), Government Seizure, Service Members Civil Relief Act (SCRA) and Non-performing Sale Loans</p>

**INVESTOR REPORTING METRICS**

Metrics	Definition/Calculation
<b>Cash Shortage</b>	<p><b>Definition:</b> The worst cash shortage event in the current month of which the shortage occurrence &gt; two Business Days and shortage amount is &gt; \$2,500</p> <p><b>Pass/Fail:</b></p> <ol style="list-style-type: none"> <li>1. If worst cash shortage event &gt; two Business Days AND cash shortage amount &gt; \$2,500, then FAIL</li> <li>2. If worst cash shortage event &gt; two Business Days AND cash shortage amount ≤ \$2,500, then PASS</li> <li>3. If worst cash shortage event ≤ two Business Days, then PASS</li> </ol>

Metrics	Definition/Calculation
<p><b>Average Number of Days to Report Payoffs</b></p>	<p><b><u>Numerator</u></b>  Total number of Business Days for each payoff in the current month</p> <p><b><i>Divided by</i></b></p> <p><b><u>Denominator</u></b>  Total number of loans paid off in the current month</p> <p><b>Pass/Fail:</b></p> <ol style="list-style-type: none"> <li>1. If average number of days to report payoffs &gt; two, then FAIL</li> <li>2. If average number of days to report payoffs ≤ two, then PASS</li> </ol>
<p><b>Aged Edits Past 30+ Days</b></p>	<p><b><u>Numerator</u></b>  Number of aged edits (30+ days old) in the current month</p> <p><b><i>Divided by</i></b></p> <p><b><u>Denominator</u></b>  Number of initial edits in the previous month (“error rate”)</p> <p><b>Pass/Fail:</b></p> <ol style="list-style-type: none"> <li>1. If error rate &gt; 1.00%, then FAIL</li> <li>2. If error rate ≤ 1.00%, then PASS</li> </ol>



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TO: Freddie Mac Servicers

September 21, 2016 | 2016-18

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**SUBJECT: FREDDIE MAC PRINCIPAL REDUCTION MODIFICATION UPDATE**

**Effective October 1, 2016; however, Servicers may implement sooner if they are able to do so**

In Bulletin 2016-7, we announced the Principal Reduction Modification. This Bulletin announces a new form, [Form 1205-PR, Post Settlement Correction Request for the Principal Reduction Modification](#), to facilitate the processing of the Principal Reduction Modification. [Form 1205-PR](#) is provided as Attachment A to this Bulletin.

[Form 1205-PR](#) reflects additions to Guide Form 1205, *Post Settlement Correction Request*, to include specific fields related to the Principal Reduction Modification. Servicers must use [Form 1205-PR](#) for submissions to Freddie Mac for Borrowers who:

- Opted out of the principal reduction post-settlement option
- Completed an active Trial Period Plan under a mortgage modification program other than the Principal Reduction Modification, and for whom the Servicer is requesting that forbore principal be forgiven post-settlement

For complete reporting requirements, including when to submit [Form 1205-PR](#) in relation to the Principal Reduction Modification, refer to the “Workout Prospector®” section of Bulletin 2016-7. All references to Guide Form 1205 in Bulletin 2016-7 are to be deemed a reference to [Form 1205-PR](#). This Bulletin does not adjust or make any changes to the reporting requirements we published in Bulletin 2016-7, and instead introduces a new form to be used under the previously published reporting requirements.

**CONCLUSION**

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE and select option four for Servicing.

Sincerely,



Yvette W. Gilmore  
Vice President  
Servicer Performance Management



# Form 1205-PR

## Post Settlement Correction Request for the Principal Reduction Modification

Submit the completed form to Post Settlement Correction Team at Freddie Mac via e-mail at [Post\\_Settlement\\_Correction@freddiemac.com](mailto:Post_Settlement_Correction@freddiemac.com).

Data Elements		Fredd Record	Servic Recor	Correct Values	Comments		
GENERAL	a	Freddie Mac 9-digit loan number					
	b	Servicer Loan number					
	c	Transaction type					
	d	Which Accounting Cycle did Freddie Mac settle the workout?					
	e	Was the loan submitted via Bypass? (Y/N)					
	f	What data element(s) need correction? IBUPB (interest bearing UPB), Detail Adjustment Report (DAR), NOTE Rate, Accounting Net Yield (ANY) Rate)					
Data Elements		Freddie Record	Servicer Record	Correct Values	Principal Reduction Modification Section		
MODIFICATION	g	Loan Modification Capitalized Interest Adjustment based on Servicer's record			Data Element	Data Value	
	h	Misc. Interest Adjustment (MISI) posted DAR (if applicable)			Borrower Opt-Out		
	i	Modified Note Rate			Date Trial Approved		
	j	Accounting Net Yield (ANY)			Date Final Mod Settled		
	k	Effective Date of the modification			Pre-Modification UPB		
	l	1st Payment Due Date			Forgiven/Forgone UPB		
	m	Maturity Date			(Modified) Gross UPB		
	n	Current UPB (pre-modification)					
	o	Modified Interest Bearing UPB			Interest Rate Adjustment Schedule		
	p	Modified Deferred UPB					
	q	Modified Gross UPB			<i>Note: If the modified Note Rate and ANY are changing, this section must be completed to account for any changes to future rate adjustments</i>		
	r	Interest from DDLPI to effective date					
	s	Other amounts advanced			Years	Interest Rate	Interest Rate Change Date
	t	Legal fees and costs					
	u	Property preservation expenses					
	v	Amount held in suspense/Escrow					
	w	Borrower cash contribution					
x	MI contribution amount						
y	Super accelerated remittance cycle (Super ARC) Payments to be capitalized (if applicable)						
Data Elements		Freddie Record	Servicer Record	Correct Values	Interest Rate Adjustment Schedule		
LIQUIDATION	I	Total Amount posted in Detail Adjustment Report			Years	Interest Rate	Interest Rate Change Date
	II	Net Proceeds					
	III	Date DDLPI Reported					
	IV	Unpaid Principal Balance					
	V	Accounting Net Yield (ANY)					
	VI	Exception Date					

**Helpful Links :**

E-mail Address to Submit this Form	<a href="mailto:post_settlement_correction@freddiemac.com">post_settlement_correction@freddiemac.com</a>
Post Settlement Correction Interest Calculator for Liquidations	<a href="http://www.freddiemac.com/learn/service/settle_proc.html">http://www.freddiemac.com/learn/service/settle_proc.html</a>
Post Settlement Charge off Form for Liquidations (Fixed Rate or ARM)	<a href="http://www.freddiemac.com/learn/service/settle_proc.html">http://www.freddiemac.com/learn/service/settle_proc.html</a>
To Track the Status of the Post Settlement Correction	<a href="https://www.freddiemac.goldworks.com/spp/servlet/FamilyReportServlet?wm.htm">https://www.freddiemac.goldworks.com/spp/servlet/FamilyReportServlet?wm.htm</a>
Freddie Mac Learning Center	<a href="http://www.freddiemac.com/learn/index.html?intcmp=SFTLC-T">http://www.freddiemac.com/learn/index.html?intcmp=SFTLC-T</a>



## POST SETTLEMENT CORRECTIONS - GLOSSARY OF TERMS

Abbreviated Name	Full Name	Definition	Calculation/Link to Calculator
LMCI	Loan Modification Capitalized Interest	Combination and subtraction of various values from either the: (1) LMTW submission; or (2) Loan Modification Settlement screen submission via WP	FORM 1128 Addition Lines 11,12,13,14 Subtraction Lines 16, 17, 18  FROM LOAN MODIFICATION SETTLEMENT SCREEN Addition Lines: Delinquent interest calculation, Advanced amounts, Legal fees/costs, Property preservation expenses Subtraction Lines: Suspense Amounts/Restricted Escrow, Borrower Cash Contribution
MISI	Miscellaneous Interest Adjustment	Miscellaneous interest due to the Servicer because of back dated modification.	Not available at the moment
DAR	Detailed Adjustment Report	The report containing the transactional details of the credit / debit made to servicer's custodial accounts.	<a href="http://www.freddie.com/learn/service/docs/FM_Int_Calc_May_2014.xls">http://www.freddie.com/learn/service/docs/FM_Int_Calc_May_2014.xls</a>
CRAMDOW	Bankruptcy Cramdown	A court mandated modification in which all the modified terms are determined by court.	Section 9401.8