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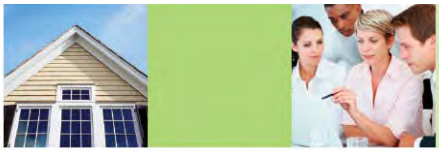


Bulletin

TO: Freddie Mac Servicers October 1, 2014 | 2014-17

SUBJECT: SERVICING UPDATES

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

- Revisions to the eligibility requirements for the Freddie Mac Streamlined Modification to remove the Delinquency cap
- Removal of the non-routine litigation eligibility exclusion for the Freddie Mac Standard Modification, Streamlined Modification and the Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification")
- Changes to streamline our expense reimbursement process when funds are due to Freddie Mac

STREAMLINED MODIFICATION ELIGIBILITY REQUIREMENTS

In Bulletin 2013-5 we announced our requirements for the Streamlined Modification, including the requirement that the Borrower must be at least 90 days delinquent, but no more than 720 days delinquent, to be eligible for the modification. In order to extend a valuable home retention option to Borrowers who are greater than 720 days delinquent, we are revising the eligibility requirements to remove the 720-day Delinquency cap.

Guide Section B65.12.1, *Freddie Mac Streamlined Modification*, has been updated to reflect this change.

Servicers must comply with the new Streamlined Modification eligibility requirement for new evaluations conducted on or after **April 1, 2015**. However, if feasible, Servicers are encouraged to implement this change as early as October 1, 2014.

In accordance with the revised requirements in Section B65.12.1, Servicers must evaluate any Borrower who has never been evaluated for a Streamlined Modification and any Borrower who previously was determined to be ineligible for a Streamlined Modification because of the 720-day Delinquency cap. If the Servicer determines that a Borrower is eligible for a Streamlined Modification, the Servicer must send at least one solicitation that includes the Streamlined Modification Solicitation Letter and the Streamlined Modification Trial Period Plan Notice no later than 15 days after the eligibility evaluation, provided it is not 60 or fewer days prior to the foreclosure sale date for a judicial foreclosure or 30 or fewer days prior to the foreclosure sale date for a non-judicial foreclosure.

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

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

As a reminder, all existing Streamlined Modification requirements not specifically addressed in this Bulletin remain in effect.

LOAN MODIFICATION ELIGIBILITY EXCLUSIONS

We are eliminating the requirements that rendered Mortgages subject to certain active non-routine litigation ineligible for Standard Modifications, Streamlined Modifications and Disaster Relief Modifications as such a modification may, under certain circumstances, be an appropriate workout solution for resolving the non-routine

litigation. Servicers may now offer Trial Period Plans to Borrowers engaged in active non-routine litigation provided the Servicer first notifies Freddie Mac and the outside counsel retained by the Servicer to handle the litigation of its proposal, in accordance with the following requirements:

- Notifications must be sent via e-mail to non-routine_litigation@freddiemac.com and to the Servicer's outside counsel
- Servicers must allow Freddie Mac and outside counsel sufficient opportunity, but no less than five Business Days, to review and provide comments prior to sending a Trial Period Plan Notice to the Borrower

Servicers must comply with the updated eligibility exclusions for new evaluations conducted on or after **April 1, 2015**. However, if feasible, Servicers are encouraged to implement these changes as early as October 1, 2014.

Sections B65.12.1, B65.12.2, *Capitalization and Extension Modification for Disaster Relief*, B65.14, *Ineligibility for Freddie Mac Standard Modification*, and 67.18, *Reporting and Notification Requirements for Freddie Mac Default Legal Matters*, have been updated to reflect these changes.

EXPENSE OFFSETS THAT RESULT IN RECEIVABLES TO FREDDIE MAC

When submitting reimbursement requests, Servicers must offset or deduct certain funds or amounts (i.e., income) from reimbursable expenses incurred pursuant to Section 71.28, *Expense Offsets*. Currently, in the event the income reported by the Servicer exceeds the expenses requested, or the Servicer has no expenses to offset the income that is due to Freddie Mac, Servicers are required to send the funds to Freddie Mac via check.

In order to streamline this process, we are amending Section 71.28 to no longer require Servicers to send the funds via check; instead, the funds will be billed on the Performing Loans monthly Servicer Billing Statement (Servicer Billing Statement) or the Non-Performing Loans (NPL) Invoice, respectively. Servicers will begin seeing these funds as billable loan-level items on their March 2015 statements and/or invoices.

Servicers will no longer be required to send the funds to Freddie Mac via check for reimbursement claims filed on or after **February 1, 2015**. Instead, Servicers will pay these amounts as part of Freddie Mac-initiated Automated Clearing House (ACH) drafts on the Servicer's designated accounts for the payment of invoices in accordance with Section 64.2, *General Requirements*, and Guide Form 1132, *Authorization for Automatic Transfer of Funds through the Automated Clearing House (ACH)*.

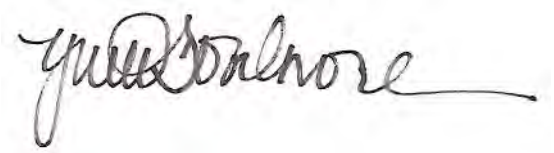
In order to ensure the appropriate amount of funds were billed, Servicers should reconcile the Servicer Billing Statements or NPL Invoices against the filed reimbursement claims. If a discrepancy exists and the Servicer believes the amount of funds was incorrectly billed, then it may contact Freddie Mac at 104_Expense@freddiemac.com.

Directory 5 has also been updated to reflect this change. We also updated Section 64.2 to clarify the invoice types referenced in Form 1132.

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 "Servicing."

Sincerely,



Yvette W. Gilmore
Vice President
Servicer Performance Management

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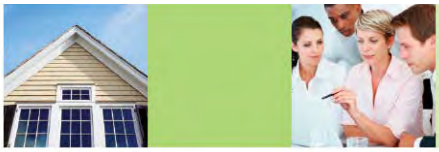

Bulletin

TO: Freddie Mac Sellers | October 15, 2014 | 2014-18

SUBJECT: SELLING UPDATES

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

- Revisions to our Mortgage eligibility and credit underwriting requirements to:
  - Update our Home Possible® Mortgages offering
  - Update eligibility requirements and provide guidance applicable to Higher-Priced Covered Transactions (HPCTs) and Higher-Priced Mortgage Loans (HPMLs)
  - Permit third-party asset verifications
  - Permit the sale of one-year ARMs under WAC ARM Cash to Freddie Mac
- Revisions to our property eligibility requirements to:
  - Streamline and update our condominium requirements
  - Update certain property and appraisal requirements
- Updates and clarifications of certain Uniform Loan Delivery Dataset (ULDD) requirements reflected in the ULDD specification addendum published September 23, 2014

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

EFFECTIVE DATE

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

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Home Possible Mortgages

Effective for Mortgages with Settlement Dates on or after November 24, 2014

We are removing certain restrictions on Home Possible Mortgages in our effort to make credit available to more Borrowers and support the purchase money market. In addition, we are expanding the benefits currently limited to Borrowers eligible for the Home Possible Neighborhood Solution® to apply to all Home Possible Borrowers, thereby maximizing the benefits for all qualifying members of the community. As a result of this expansion, the Home Possible Neighborhood Solution offering is being retired.

The changes include, but are not limited to:

- Permitting Freddie Mac's standard requirements for temporary subsidy buydown plans on Mortgages secured by 1-unit and 2-unit properties
- Permitting any secondary financing meeting Freddie Mac requirements. Note that delivery fees will apply when the secondary financing is not an Affordable Second®.
- Permitting Mortgages, other than Mortgages secured by Manufactured Homes, to be manually underwritten without being submitted to Loan Prospector® first
- Permitting the use of gift funds to meet the minimum reserves requirements
- Revising the maximum monthly debt payment-to-income ratio for Manually Underwritten Mortgages from 43% to 45%

- Permitting zero contribution from Borrower Personal Funds on Mortgages secured by 2- to 4-unit properties and Manufactured Homes when loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit TLTV (HTLTV) ratios are less than or equal to 80%
- Permitting Home Possible Mortgages to be Construction Conversion and Renovation Mortgages
- Permitting a 6% Life Cap for 5/1 ARMs
- Removing the requirement that the use of the Mortgage proceeds from a "no cash-out" refinance of a 2- to 4-unit property is limited to the unpaid principal balance and permitting Freddie Mac's standard "no cash-out" refinance requirements for these Mortgages

Other updates include, but are not limited to:

- Requiring that the Seller verify that cash funds, when used as a source of Borrower Funds, are held in a financial institution prior to closing
- Updating Guide Exhibit 23, *Monthly Budget and Residual Analysis Form*, which is required when cash on hand is used
- Editorial changes to Guide Chapter A34, *Home Possible® Mortgages*, to simplify and improve ease of reference

Chapter A34, Guide Sections 2.2.1, *Introduction to Loan Prospector®*, 17.18, *Home Possible® Mortgages*, 25.2, *Refinance Mortgages with Secondary Financing*, 25.4, *Temporary Subsidy Buydown Plans*, 26.2, *Eligible Sources of Borrower Funds*, 26.5, *Reserves*, and K33.3, *Eligible and Ineligible Mortgages*, the Glossary, and Exhibits 23 and 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*, have been updated to reflect these changes. Additionally, for Seller convenience, we have posted Exhibit 23 as a fillable Portable Document Format (PDF) file.

Sellers are encouraged to review all impacted Guide sections and exhibits in their entirety to ensure understanding of all revised requirements for Home Possible Mortgages.

Loan Prospector and other Freddie Mac systems will be updated by November 24, 2014 to support these changes.

Higher-Priced Covered Transactions (HPCTs) and Higher-Priced Mortgage Loans (HPMLs)

On January 10, 2013, the Consumer Financial Protection Bureau (CFPB) issued a final rule implementing ability to repay provisions under the Truth-in-Lending Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("CFPB Final Rule"), which generally requires a Seller to make a reasonable, good faith determination of a Borrower's ability to repay before originating a Mortgage and establishes certain protections from liability for qualified mortgages. In response to the CFPB Final Rule, Freddie Mac announced certain eligibility requirements applicable to HPMLs in Bulletin 2013-16. Those eligibility requirements were related to Freddie Mac Relief Refinance Mortgages℠ and the qualifying rate for ARMs with Initial Periods of seven or ten years. Subsequently, Freddie Mac issued Bulletin 2013-23 to clarify that those eligibility requirements applicable to HPMLs were also applicable to HPCTs.

This Bulletin announces the following additional updates with respect to HPCTs and HPMLs:

Expansion of guidance

- Adding a Glossary definition for "Higher-Priced Covered Transactions" to include Primary Residences, second homes, and Investment Properties that are not exempt from the Truth-in-Lending Act. The HPCT Glossary definition is consistent with the guidance for HPCTs announced in Bulletin 2013-23.
- Deleting direct references to the regulatory definition of HPCT (i.e., as defined in Regulation Z, 12 C.F.R. 1026.43(b)) from the Guide as a result of the new Glossary definition
- Updating the Guide to include reference to HPML where HPCT is mentioned. While an HMPL is also an HPCT secured by a Primary Residence, we decided to keep the term HPML in the Guide to ensure consistency with word usage and regulatory requirements set forth in Regulation Z. Under Regulation Z, 12 CFR 1026.35, HPMLs remain subject to regulatory requirements that are not applicable to HPCTs secured by second homes and Investment Properties, including escrow and appraisal requirements.

Loan Prospector feedback messages will be updated by November 24, 2014 to include reference to HPMLs where HPCTs are mentioned and to remove reference to the regulatory definition of HPCT.

Sellers should review Sections A24.3(h), *Requirements for Freddie Mac Relief Refinance Mortgages – Same Servicer,* B24.3(d)(i), *Requirements for Freddie Mac Relief Refinance Mortgages – Open Access*, 30.16, *Underwriting Requirements*, and the Glossary for the expanded guidance.

Updated HPCT and HPML requirements

- Renaming Section 22.35 from *Higher-Priced Mortgage Loans* to *Higher-Priced Mortgage Loans and Higher-Priced Covered Transactions*. The requirements within the section will now encompass and apply to all HPMLs and HPCTs.
- Expanding the eligible ARM products for HPMLs and HPCTs to include ARMs with Initial Periods of five years

These changes are effective for Mortgages with Application Received Dates on or after **October 15, 2014**.

Sellers should review Sections 22.35 and 30.3, *Eligible ARMs*, for the updated requirements. Additional applicable Guide sections have been updated to reflect these changes.

Resources

As a reminder, additional resources related to the updated requirements in response to the CFPB Final Rule referenced in this Bulletin can be found at the **Freddie Mac New Mortgage Eligibility Criteria web page**. These resources include, but are not limited to, a list of frequently asked questions and a listing of additional Freddie Mac publications related to the CFPB Final Rule.

Determination of regulatory compliance

As stated in Bulletin 2013-16, Freddie Mac will not make the determination of whether a Mortgage is exempt from, or complies with, the CFPB Final Rule or whether a Seller's designation of the status of a Mortgage under the CFPB Final Rule is correct. These determinations of compliance with the CFPB Final Rule and other applicable laws are the Seller's responsibility.

Notice of changes to negotiated provisions

Pursuant to Section 12.3(d), *Changes to Master Agreements and Master Commitments*, negotiated provisions in Master Agreements and/or Master Commitments are amended as of the effective date announced in this Bulletin.

Third-party asset verifications

We are revising our requirements to permit third-party asset verifications in response to the emergence of third-party asset verification services. In addition, we are updating our requirements for third-party employment and income verifications. Sellers are reminded that they are responsible for ensuring the accuracy and integrity of the information provided by third-party verification services.

Section 37.20(c), *Third-Party Employment, Income and Asset Verifications*, has been updated to reflect these changes. Sellers should review this section for complete requirements.

One-Year ARMs purchased under WAC ARM Cash

Effective immediately, Freddie Mac will once again purchase one-year ARMs under WAC ARM Cash. We have updated Section 30.7(d), *Applicable Caps for Eligible ARM Products*, and Exhibit 17S, *Available Mortgage Products*, to reflect this change.

PROPERTY ELIGIBILITY

Special requirements for condominiums

In response to Seller feedback, we are providing additional details in Chapter 42, *Special Requirements for Condominiums,* about the sequential process flow of Freddie Mac's Condominium Project review and eligibility requirements, which supports an efficient and effective workflow.

Freddie Mac's Condominium Project eligibility requirements have two components:

- The general Condominium Project eligibility requirements in Section 42.2(b), *General Condominium Project Eligibility Requirements*
- The Condominium Project eligibility requirements for ***one*** of the particular project review types in either Section 42.4, *Streamlined Reviews,* 42.5, *Established Condominium Projects,* 42.6, *New Condominium Projects,* 42.7, *Other Condominium Projects,* or 42.9, *Reciprocal Project Reviews*

We are also updating our requirements and providing additional clarity in Chapter 42 including, but not limited to, the following:

- Reorganizing content by moving to Section 42.8(d) the provision on *Financing of Limited Common Elements* previously in Section 42.2(b)
- Removing a general project eligibility requirement in Section 42.2(b), an ineligible project type in Section 42.3, *Ineligible Projects*, and a reciprocal project eligibility review requirement in Section 42.9
- Deleting the list of examples in our New Condominium Project requirements for mortgagee consent in Section 42.6(i), *Mortgagee Consent*, as the list was not all inclusive
- Clarifying our streamlined review requirements for "spot" loan originations in Section 42.4
- Expanding the sources that may contain a requirement for timely written notice of certain events in Section 42.6(j), *Rights of Condominium Mortgagees and Guarantors*, for New Condominium Projects

Property and appraisal requirements

Information supplied to the appraiser

We are updating Section 44.3(h), *Information Supplied to the Appraiser*, to:

- Remove the requirement for the Seller to provide the appraiser with current homeowner association budgets because Freddie Mac does not require the appraiser to review the budget(s)
- Replace the term “Mortgage originator” with “a third party specifically authorized by the Seller.” The use of this revised phrase is consistent with the requirements in Exhibit 35, *Appraiser Independence Requirements*.

Subject property occupancy standards

We are updating Section 44.2, *General Property Eligibility Requirements*, to match commonly used terminology by stating the property must be suitable for year-round occupancy.

In addition, we are removing repetitive and obsolete requirements in Sections 22.22, *Second Home Mortgages*, and 44.15(e), *Improvements Section*.

Uniform Collateral Data Portal® (UCDP®) messaging

We are updating Section 44.20(d), *UCDP Messaging*, to align with the functionality of the UCDP. We are also removing Exhibit 36, *Home Value Explorer® (HVE®) Messaging within the Uniform Collateral Data Portal® (UCDP®)*, as information in this exhibit is outdated. All UCDP information pertaining to messaging is on our web site at **http://www.freddiemac.com/singlefamily/sell/uniform_collateral_data_portal.html**.

UNIFORM LOAN DELIVERY DATASET (ULDD) UPDATES

On September 23, 2014, Freddie Mac published the third quarter 2014 ULDD Addendum included in *Appendix A, Freddie Mac XML Data Requirements V3.4.0*, as “Tab 9Q3-ULDDS Addendum issued 9-23-14” (the “ULDD Addendum”). In addition to clarifications announced in Bulletin 2014-15, we are updating Chapter 17, *Mortgage Delivery Instructions*, to reflect updated requirements and clarifications from the ULDD Addendum including, but not limited to:

- Clarification to delivery instructions for ULDD Data Point *Current HELOC Maximum Balance Amount* (Sort ID 511). This revised instruction provides that if the maximum credit line has been modified, Sellers should enter the modified maximum credit line amount, even if the modified maximum credit line amount as of

the Note Date has been reduced to less than the disbursed HELOC amount entered in ULDD Data Point *HELOC Balance Amount* (Sort ID 512).

- Updates to delivery instructions for ULDD Data Point *Appraiser License Identifier* (Sort ID 525). These instructions provide that when the appraiser is a trainee and has a license identifier, Sellers should enter the trainee's license identifier in this field, and enter the supervisory appraiser's license identifier in ULDD Data Point *Appraiser License Identifier* (Sort ID 534, for Party Role Type "Appraiser Supervisor"). The instruction also provides that when the appraiser is a trainee and does not have a license identifier, Sellers should enter the word "trainee" in this field, and enter the supervisory appraiser's license identifier in ULDD Data Point *Appraiser License Identifier* (Sort ID 534).

  These delivery instructions are consistent with those provided in the Uniform Appraisal Dataset (UAD) *Appendix D, Field-Specific Standardization Requirements*.

These revised instructions for ULDD Data Point *Current HELOC Maximum Balance Amount* (Sort ID 511) and ULDD Data Point *Appraiser License Identifier* (Sort ID 525) are effective for Mortgages with Freddie Mac Settlement Dates on or after **May 5, 2015**.

We have also updated applicable sections in Chapters 9, *Fixed-Rate Cash*, and 10, *WAC ARM Cash*, and Sections 17.4, *Cash Program Delivery Instructions*, and 17.33, *Mortgages Sold through the Servicing Released Sales Process*, to correct references to "Funding Date" for Mortgages purchased under the Cash program, as clarified in the ULDD Addendum.

Sellers should review the ULDD Addendum in its entirety to determine impacts to their systems or processes and for applicable effective dates.

ADDITIONAL GUIDE UPDATES AND REMINDERS

Systems license

Effective September 15, 2014

As announced in Bulletin 2014-16, 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 has made the following changes:

- Deleted 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
- Replaced 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.

Seller/Servicer institutional eligibility

To reflect the updates to Guide Form 16SF, *Annual Eligibility Certification Report*, announced in Bulletin 2014-2, we are:

- Updating Section 4.9, *Annual Eligibility Certification*, which was outdated and redundant
- Revising Section 4.10, *Annual Eligibility Reporting Requirements*, now retitled *Annual Reporting Requirements*

We are also removing references to Form 1107SF, *Seller/Servicer Change Notification Form*, from Section 4.10. Form 1107SF is completed and submitted by Seller/Servicers pursuant to Section 4.11, *Changes in Seller/Servicer's Organization or Status Reporting*, to notify Freddie Mac regarding specific events which have occurred or will occur rather than as an annual requirement.

Cross-references have been updated in applicable Guide sections as a result of these changes.

Equifax® FICO® score

Effective September 9, 2014

On September 9, 2014, Equifax changed the BEACON®, Pinnacle℠ and InScore® product names to be more consistent with FICO product names across the marketplace. Equifax's Automated Credit Reporting Online (ACRO) database now returns the "FICO" name in all of the applicable outputs (except XML output) where the "Beacon" name/verbiage was previously being displayed.

Therefore, we are updating Section 37.5, *Credit Scores*, to change references from "Beacon® Score" to "Beacon 5.0/Equifax FICO Score v5."

Directory 1 updates related to Document Custody eligibility

For Seller/Servicer convenience, we have reviewed our contact information for the notification and submission of information to Freddie Mac's Counterparty Credit Risk Management department and determined that the e-mail address, **institutional_eligibilty@freddiemac.com** (which is used for many things, including the submission of Form 1107SF to Freddie Mac), may also be used as an option for the Seller/Servicer to notify Freddie Mac:

- In the event of any cancellation or non-renewal of any of the required insurance coverages for Document Custodians provided in Sections 18.2(b), *Basic Eligibility Requirements*, and 18.4(c), *Transit Insurance Requirements*
- The Document Custodian fails to comply with any eligibility requirement provided in Chapter 18, *Document Custody*

Directory 1 has been updated to reflect these changes.

Flexible payment loans

We are correcting Section 22.4, *Amortization*, to delete the reference to flexible payment loans, which are not eligible for sale to Freddie Mac.

Private mortgage insurance master policy reminder

As announced in Bulletin 2014-13, any Mortgage sold to Freddie Mac that requires private mortgage insurance and has an Application Received Date on or after **October 1, 2014** must be insured under one of the new private mortgage insurance master policies. Seller/Servicers should review Exhibit 10, *Freddie Mac Approved Mortgage Insurers*, periodically for current information on Freddie Mac-approved MIs, including the form numbers for the new master policies. Exhibit 10 can be accessed on FreddieMac.com at **http://www.freddiemac.com/singlefamily/guide/mortgage_insurers.html**.

Historical Guide Snapshot

For Seller/Servicer convenience, we have recently published the **September 15, 2014 Historical Guide Snapshot**, which reflects the Guide requirements as of that date in PDF files. The snapshot includes two comprehensive files:

- A PDF file of the entire Guide, including a table of contents, easy-to-use navigational bookmarks and highlighting designating updates made to the Guide since the date of the last Guide snapshot
- A PDF file containing all of the Bulletins and Industry Letters issued since the date of the last Guide snapshot

All Guide snapshots are available at **http://www.freddiemac.com/singlefamily/guide/bulletins/snapshot.html**. As a reminder, these snapshots are not official versions of the Guide.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 4, 5, 6, 9, 10, 17, 22, 24, A24, B24, 25, 26, 30, K33, A34, 37, 42 and 44
- Exhibits 17S, 23, 25 and 36

- Glossary
- Directory 1

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-18 (Selling) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1418_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.

Sincerely,

Laurie Redmond
Vice President
Offerings Effectiveness

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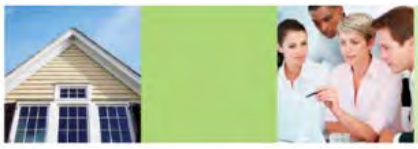

Industry Letter

TO: Freddie Mac Sellers and Servicers October 28, 2014

SUBJECT: REMINDER OF REQUIREMENTS FOR NOTIFICATION OF CERTAIN SELLER/SERVICER ACTIVITIES AND CHANGES

With increased merger and acquisition activity in the past few years among banks, mortgage bankers and other companies that originate and service Mortgages, it is even more important that Freddie Mac understand proposed ownership and organizational changes impacting its Seller/Servicers. In addition, with the growing number of regulatory obligations imposed on Seller/Servicers, it is crucial that Freddie Mac be made aware of regulatory and other actions.

We require advanced notification of ownership and organizational changes to manage our risks and to meet our Seller/Servicers' needs in their continued business with us. If applicable law prevents a Seller/Servicer from providing Freddie Mac with prior notification, the Seller/Servicer must notify Freddie Mac of such changes as soon as legally permitted.

Ownership and organizational changes

As stated in Guide Section 4.11, *Changes in Seller/Servicer's Organization or Status Reporting*, a Seller/Servicer must notify Freddie Mac at least 14 Business Days prior to undergoing a major change in its ownership or organization, such as a:

- Merger
- Consolidation (including a regulatory agency-assisted transaction)
- Transfer of stock that results in any person or entity directly or indirectly owning a percentage of stock that results in a change of control
- Charter change (such as a State-chartered bank becoming federally chartered)
- Conversion (such as a thrift institution converting from mutual to stock form)
- Change in the Seller/Servicer's senior management
- Transfer of all of the Seller/Servicer's assets or assets of a Mortgage-related function, without the transfer of accompanying liabilities
- A change in the Seller/Servicer's name
- Changes concerning affiliate relationships, external auditors, fiscal year-end, and Servicing relationships

Regulatory actions

Section 4.11 also requires that if a Seller/Servicer becomes subject to any judgment, order, finding or regulatory action that, in Freddie Mac's opinion, would adversely affect the Seller/Servicer's ability to comply with the terms and conditions of the Purchase Documents, the Seller/Servicer must notify Freddie Mac within seven Business Days.

Transfers of assets

Section 4.12, *Transfer of Assets to an Entity that is Not a Freddie Mac-Approved Seller/Servicer*, requires a Seller/Servicer to provide Freddie Mac with notice 75 days prior to a proposed transfer to an entity that is not a Freddie Mac-approved Seller/Servicer of:

- All of the Seller/Servicer's assets without the transfer of accompanying liabilities, or
- The assets of a Mortgage-related function (for example, originations or Servicing) without the transfer of accompanying liabilities

Seller/Servicers are reminded that, in these instances, the proposed transferee must obtain Freddie Mac's approval as a Seller/Servicer *prior* to the effective date of the asset transfer.

Contact information and other changes

Additionally, Seller/Servicers must notify Freddie Mac of changes or additions in contact information, including updates to division heads or equivalents in key mortgage-related functions and primary Freddie Mac business contacts. Having current contact information facilitates our communication of important notices and information to the appropriate individuals.

Seller/Servicers should review Sections 4.8.1, *Seller/Servicer Insurance Reporting Requirements*, 4.11 and 4.12 in their entirety for all activities and changes that require notification to Freddie Mac.

Form of notification

To give notice to Freddie Mac of any of the activities or changes referenced above, a Seller/Servicer must complete the applicable sections of Guide Form 1107SF, *Seller/Servicer Change Notification Form*, including any required supplemental materials, and submit them by one of the following methods:

- **Electronic Record** (as defined in Guide Chapter 3, *Special Requirements for Electronic Transactions*) – Visit **http://www.freddiemac.com/singlefamily/doingbusiness/acctmaintain.html** and complete, sign and submit Form 1107SF electronically
- **E-mail copy** – Complete a paper Form 1107SF, sign it in ink, scan it into a standard document format (PDF, TIF, JPEG, etc.), attach it to an e-mail and send the e-mail to Freddie Mac at institutional_eligibility@freddiemac.com
- **Fax copy** – Complete, sign and submit a paper Form 1107SF via fax to Freddie Mac at (866) 743-0087
- **Paper original** – Complete a paper Form 1107SF, sign it in ink, and deliver it to Freddie Mac at 1551 Park Run Drive, MS D3A, McLean, VA 22102-3110 to the attention of Counterparty Credit Risk Management

CONCLUSION

If you have questions or concerns about the ability to provide notice prior to applicable changes, contact Counterparty Credit Risk Management at (571) 382-3434 or institutional_eligibility@freddiemac.com.

Please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE with any other questions about this Industry Letter.

Sincerely,

Laurie Redmond
Vice President
Offerings Effectiveness

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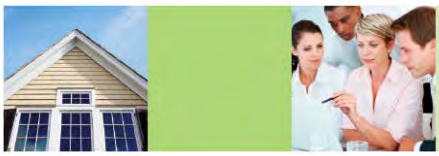


Bulletin

TO: Freddie Mac Servicers November 14, 2014 | 2014-19

SUBJECT: SERVICING UPDATES

(This is a reissuance of Bulletin 2014-19, with corrections to the section titled "Default management criteria comparison" and Attachment A of this Bulletin, *Definitions and Weights for the Revised Servicer Success Scorecard Criteria*, made on December 2, 2014.)

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

- Revisions to the default management criteria and ranking methodology in the Freddie Mac Servicer Success Scorecard
- A change to the Servicer Success File Review appeal process
- Increases to certain State foreclosure time lines
- Adjustments to State foreclosure time line compensatory fees
- A new supplemental Borrower incentive for Borrowers who complete Freddie Mac Standard Deeds-in-Lieu of Foreclosure ("DILs") in certain States

SERVICER SUCCESS SCORECARD CHANGES

In response to the evolving market, and as a result of discussions among Freddie Mac, Fannie Mae and the Federal Housing Finance Agency (FHFA), we are revising certain Servicer Success Scorecard criteria.

We are adding two new criteria, "Cure Efficiency" and "Beyond Timeline Resolution Rate," and removing four criteria from the default management criteria. Additionally, the calculations and weights for certain default management criteria are being revised. The revised calculations and weights are provided in Attachment A of this Bulletin, *Definitions and Weights for the Revised Servicer Success Scorecard Criteria*. All of these updates reflect the focus on activities of importance to Freddie Mac. There are no changes to the investor reporting criteria; however, changes to the ranking methodology apply to the default management and investor reporting criteria. Freddie Mac, in consultation with Fannie Mae and FHFA, will continue to review Servicer performance and market conditions to determine if performance expectations need to be revised.

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

Effective date

The revised default management criteria in the Servicer Success Scorecard will be effective with a Servicer's **January 1, 2015** performance. These performance results will be visible on the Servicer Performance Profile web site on **March 6, 2015**.

Preview period

We will provide a preview period beginning December 5, 2014 to allow Servicers to view their performance against the new criteria.

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

Default management criteria comparison

The following table compares the current criteria to the revised criteria. While current and future criteria may appear to be unchanged in the table below, all of the calculations for the criteria, with the exception of the 12-month performance criterion and the data integrity criteria, have changed. Therefore, it is important that Servicers refer to Attachment A of this Bulletin for specific information regarding the future criteria.

Current Criteria	Future Criteria
Loss Mitigation	
Transition to 60+	Transition to 60+
60 to Worse	60 to Worse
90+ to Better	Deleted
90+ to Worse	90+ to Worse
	Cure Efficiency **(New)**
Retention Efficiency	Retention Efficiency
Liquidation Efficiency	Liquidation Efficiency
Workout Effectiveness	
6-Month Performance	Deleted
12-Month Performance	12-Month Performance
Timing of Liquidation Solutions	Deleted
Default Timeline Management	
Loans Beyond FCL Sale Threshold	Deleted
(This was updated to correct the 2014 criterion title.) Avg Age Beyond FCL Sale Std	**(This was updated to correct the 2015 criterion title.)** Average Age Past FCL Sale Standard
	Beyond Timeline Resolution Rate **(New)**
Data Integrity	
Initial Delinquency Reporting	Initial Delinquency Reporting
Final Delinquency Reporting	Final Delinquency Reporting
Accuracy of DDLPI Reporting	Accuracy of DDLPI Reporting
Timely REO Notifications	Timely REO Notifications

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

Guide Sections 65.8 and 76.5, *Performance Standards*, have been updated to reflect the new or amended criteria as set forth in the Servicer Success Scorecard.

The performance criteria, weightings, and rankings for each Servicer are published monthly in the Servicer Success Scorecard at **http://www.freddiemac.com/singlefamily/service**.

Ranking changes

To further minimize the impact that portfolio composition differences among Servicers may have on rankings, we are revising how Servicers are ranked. Servicers will be placed into groups based on similarities in Servicers' portfolios (each a "peer group") in both default management and investor reporting. The peer groups will be determined based on portfolio composition parameters chosen by Freddie Mac, and may be amended from time to time. The peer groups are:

- Top 10 Servicers as determined by the total number of Mortgages serviced for Freddie Mac
- Servicers servicing 25 or more Mortgages for Freddie Mac that are 90 or more days delinquent and that are not in the previous peer group
- Remaining Servicers that are not in the above two peer groups

During the preview period ranks for the 2015 Servicer Success Scorecard will not be displayed. Servicers will see their ranks within their applicable peer group beginning on March 6, 2015.

As a result of these ranking changes, a Servicer will be presumed to have an unacceptable Servicer Success Scorecard result if the Servicer's ranking is in the bottom 25% of Servicers in the Servicer's peer group.

Freddie Mac will continue to consider factors such as trends in performance, adequacy of staffing, audit results, the Servicer Success 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 5.2, *Disqualification or Suspension of the Seller or the Servicer*.

Section 51.11, *Servicer Performance Criteria*, has been revised to include a reference to ranking by peer group.

Ranking calculations

As a reminder, Servicers earn points based on their performance in each measurement criterion in investor reporting, as well as default management. Servicers can earn a maximum number of points for each measurement criterion equal to the weight Freddie Mac has applied to each criterion.

For example, default timeline management is worth a maximum total of 38 points, which includes:

- Average Age Beyond FCL Sale Standard (20 points)
- Beyond Timeline Resolution Rate (18 points)

A Servicer is given a rank for each measurement criterion, which is derived from ranking the Servicer's performance for that criterion against the performance of other Servicers that are within the same peer group. To derive the overall rank for investor reporting or default management, the points are added among all measurement criteria, and those total points are ranked against the total points of other Servicers within a Servicer's peer group.

All Servicers will receive a rank within their peer groups in investor reporting. If the Servicer services 25 or less Mortgages for Freddie Mac that are 90 or more days delinquent, they will not receive a rank in default management.

Training

To help Servicers further understand the Servicer Success Scorecard changes announced in this Bulletin, training information and reference documents will be available when the preview period begins. Servicers should watch for additional communications and visit the **Freddie Mac Learning Center** for additional training updates when notified that the preview period has begun.

SERVICER SUCCESS FILE REVIEW APPEAL PROCESS

Effective January 8, 2015, beginning with the January 2015 review cycle

We are permitting Servicers to submit documentation to support appeals of File Review conclusions.

As noted in Section 51.9.1, *Freddie Mac Servicer Success File Reviews*, upon completion of the File Review, Freddie Mac will provide its conclusions in writing to the Servicer. Servicers may provide Freddie Mac with a response or appeal to such conclusions up to 15 Business Days after the date of Freddie Mac's written conclusions. Previously, the Servicer was not permitted to submit documentation in support of its appeal. With this change, if the defect was the result of a missing or incorrect document, that document may now be submitted on appeal to support clearing the defect. However, if the Servicer failed to submit any documents in response to Freddie Mac's initial File Review request, and the overall result is "Fail – Missing Docs," the Mortgage is not eligible for an appeal. Freddie Mac, in its sole and absolute discretion, may choose to rely on its conclusions or upon any other available information in determining whether to pursue any other right or remedy available to Freddie Mac under the Purchase Documents or applicable law.

STATE FORECLOSURE TIME LINES

Effective for all foreclosure sales completed on or after November 1, 2014

We are increasing the State foreclosure time lines in 47 of the 55 jurisdictions listed in Guide Exhibit 83, *Freddie Mac State Foreclosure Time Lines*.

In some instances the State foreclosure time line is not being updated at this time based on the reasons provided in the "Temporary suspension of State foreclosure time line compensatory fee assessments in certain States" section of this Bulletin.

Additionally, the State foreclosure time lines will remain unchanged in Guam, Puerto Rico and the Virgin Islands at this time.

Servicers should review Exhibit 83 in its entirety for the revised requirements.

STATE FORECLOSURE TIME LINE COMPENSATORY FEES

Effective for all foreclosure time line compensatory fees on foreclosure sales completed on or after January 1, 2015

Temporary suspension of State foreclosure time line compensatory fee assessments in certain States

Based on a combination of limited performance data and undetermined impacts of legislative changes and court delays, Freddie Mac is temporarily suspending the assessment and billing of foreclosure time line compensatory fees in the following jurisdictions:

- District of Columbia
- Massachusetts
- New York (including New York City)
- New Jersey

Each State suspension will last, at minimum, through foreclosure sales occurring on or before June 30, 2015. At the completion of the respective State suspension, we will revise and update our published State foreclosure time lines in the respective jurisdiction based on the data collected from foreclosure sales completed during the suspension period. The respective revised State foreclosure time lines will be updated and retroactively applied to foreclosure sales completed on or after January 1, 2015.

Upon the completion of a State suspension and retroactive revision to the respective State foreclosure time line, Freddie Mac will assess and bill Servicers for State foreclosure time line compensatory fees (should they be subject to any) in a supplemental monthly billing for those Mortgages referred to foreclosure on or after October 1, 2011. Servicers will be provided the opportunity to appeal any assessment through the normal appeals process prior to the supplemental monthly billing.

We do not expect any supplemental billings for Mortgages that were referred to foreclosure prior to October 1, 2011. Foreclosure sales related to these Mortgages are subject to compensatory fees billed in annual installments per Section 66.44.2(d), *Billing Process for Compensatory Fees*. However, if this changes, we will notify Servicers in advance.

At a later date, and prior to the completion of the suspension, Freddie Mac will notify Servicers of when to expect these supplemental monthly assessments and billings and will identify separate periods for the appeal process per Section 66.44.2(c), *Servicer Appeal Process for State Foreclosure Time Line Compensatory Fees*.

De minimis exception on assessment of monthly compensatory fees billed

Freddie Mac evaluates a Servicer's performance on a monthly basis and determines if it exceeded the State foreclosure time line requirements. Currently, compensatory fees are not billed if a Servicer's aggregate monthly foreclosure time line compensatory fees are $1,000 or less. This *de minimis* exception for foreclosure time line compensatory fees will be raised from $1,000 to $25,000.

Section 66.44.2, *State Foreclosure Time Line Performance Assessment,* and Exhibit 83A, *Determining State Foreclosure Time Line Performance Compensatory Fees,* have been updated accordingly.

Additional guidance

While the changes reflected in this Bulletin will be effective for foreclosure time line compensatory fees on all foreclosure sales completed on or after January 1, 2015, these changes may not be reflected on a Servicer's Compensatory Fee Analysis Report (as referenced in Section 66.44.2(c)) containing January 2015 foreclosure time line compensatory fees.

Servicers are reminded that they will not need to submit any appeals at this time for foreclosure time line compensatory fees on foreclosure sales completed on or after January 1, 2015 if the Mortgaged Premises is located in one of the States where compensatory fees will be temporarily suspended or if the Servicer's aggregate monthly foreclosure time line compensatory fees are $25,000 or less.

If Servicers are unsure of the impact of these changes not being immediately reflected on their Compensatory Fee Analysis Report, they are encouraged to contact their Servicing Account Manager, if applicable, or call Customer Support at (800) FREDDIE and select "Servicing."

DEED-IN-LIEU OF FORECLOSURE INCENTIVES FOR BORROWERS

Effective February 1, 2015

To provide an additional tool for Servicers to achieve workouts for Borrowers in States with extended foreclosure time lines, we are implementing a new supplemental Borrower incentive of up to $7,000. The supplemental Borrower incentive is a temporary offering for DILs where the Borrower evaluation date is on or before December 1, 2015. It will be available for an eligible Borrower whose Mortgaged Premises is located in one of the following eight States, provided the Borrower is not required to make a financial contribution to the workout:

- Connecticut
- District of Columbia
- Illinois
- Maryland
- Massachusetts
- New Jersey
- New York
- Pennsylvania

The supplemental Borrower incentive is in addition to, and not in place of, Freddie Mac's existing Borrower relocation assistance. Unlike Borrower relocation assistance, a Borrower is not required to occupy the

Mortgaged Premises as his or her Primary Residence in order to be eligible for the supplemental Borrower incentive.

The table below displays the maximum amounts a Borrower may be eligible to receive in Borrower relocation assistance and the supplemental Borrower incentive:

Occupancy Type	Borrower Relocation Assistance Amount	Supplemental Borrower Incentive Amount	Total DIL Assistance/Incentive Amount
Primary Residence	Up to $3,000	Up to $7,000	Up to $10,000
2nd Home, Investment Property, Vacant	Ineligible	Up to $7,000	Up to $7,000

If the Borrower receives relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, the Servicer must reduce the amount of Freddie Mac's total contribution (Borrower relocation assistance plus supplemental Borrower incentive) by the amount received from the other source. Further, if the final property inspection reveals that the property is damaged, contains trash or debris or is otherwise not in clean, broom-swept condition, the Servicer must deduct the estimated or actual (if known) cost of repairing and cleaning the property from Freddie Mac's total contribution. The Servicer may, at its discretion, use its own funds to offer the Borrower an additional financial incentive to complete the DIL.

Once Freddie Mac's total contribution has been determined and the deed has been executed, the Servicer must disburse the Borrower relocation assistance and the supplemental Borrower incentive to the Borrower within 30 days of receipt of the executed deed. Servicers may continue to request reimbursement for Borrower relocation assistance from Freddie Mac in accordance with existing requirements in Section B65.44.1, *Borrower Contributions and Relocation Assistance*. Servicers may request reimbursement for the supplemental Borrower incentive by submitting a request for pre-approval (RPA) in the Freddie Mac Reimbursement System.

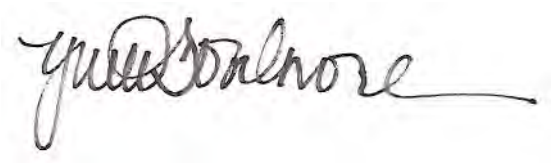
Servicers must comply with the new supplemental Borrower incentive requirement for new evaluations conducted on or after February 1, 2015. However, if feasible, Servicers are encouraged to implement this change for new evaluations conducted as early as **November 14, 2014**.

Sections B65.44.1 and B65.45, *Property Valuation and Property Inspection Requirements*, have been updated to reflect this change.

CONCLUSION

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

Sincerely,



Yvette W. Gilmore
Vice President
Servicer Performance Management

Definitions and Weights for the Revised Servicer Success Scorecard Criteria

(This is a reissuance of Bulletin 2014-19, with corrections to the section titled "Default management criteria comparison" and Attachment A of this Bulletin, *Definitions and Weights for the Revised Servicer Success Scorecard Criteria*, made on December 2, 2014.)

Definitions and weights for all the default management Servicer Success Scorecard criteria are provided in the table below. There are no changes to the investor reporting criteria.

The following changes have been made to correct Bulletin 2014-19 regarding certain default management criteria calculations:

- **Under "Loss Mitigation," the 30 day trial modifications are not excluded, but were incorrectly indicated as excluded from the numerator for the following metrics:**
  - **60 to Worse**
  - **90+ to Worse**
  - **Retention Efficiency**
  - **Liquidation Efficiency**
- **Under "Workout Effectiveness," the 12-Month Performance calculation was corrected to reflect that the metric calculates a single month of performance using one month of data for both the numerator and denominator, not the sum of three months. In the numerator, the calculation was corrected to include loan modifications that are current 12 months after the modification closed or loans that paid off (matured or prepaid) at any point during the 12 months.**

DEFAULT MANAGEMENT CRITERIA

Criteria	Definition/Calculation	Weights
Loss Mitigation		
Transition to 60+	**Definition:** The number of loans that roll from a less than 60 days delinquent status to a 60+ days delinquent or loss liquidation status over a three-month reporting period divided by the Current or 30 days delinquent loan count three months prior. Loss liquidations include settled short sales, notified deeds-in-lieu of foreclosure (DIL) and notified foreclosure (FCL) sales (Real Estate Owned (REO) or third party sale (TPS)). **Calculation:** (D60+ loan count or loss liquidation (settled short sales, notified DILs and notified FCL sales (REO/TPS)) that transitioned from the denominator pool) – (Trials initiated during the reporting period on loans that are 30 days delinquent) ---------- (Current [<30 days] and D30 loan count three months prior - Existing trials that are less than or equal to four months old)	15%

Criteria	Definition/Calculation	Weights
60 to Worse	**Definition:** The number of 60 day delinquent loans in the previous month that rolled to a 90+ days (including in FCL) delinquent status or loss liquidation status in the current month divided by the 60 day delinquent loan count in the previous month. Loss liquidations include settled short sales, notified DILs and notified FCL sales (REO or TPS). **Calculation:** (D90+ loan count (including FCL) or loss liquidation (settled short sales, notified DILs and notified FCL sales (REO/TPS)) that transitioned from the denominator pool during current cycle) ---------- (D60 loan count from previous cycle - Existing trials that are less than or equal to four months old)	10%
90+ to Worse	**Definition:** The number of 90+ days (not including in active FCL) delinquent loans in the previous month that rolled to a 120+ days (not including in active FCL) delinquent status or loss liquidation status in the current month divided by the 90+ days delinquent (not including in active FCL) loan count in the previous month. Loss liquidations include settled short sales, notified DILs and notified FCL sales (REO or TPS). **Calculation:** (D120+ loan count or loss liquidation (settled short sales, notified DILs and notified FCL sales (REO/TPS)) that transitioned from the denominator pool during current cycle) - (Active FCL) ---------- (D90+ loan count from previous cycle - Active FCL - Existing trials that are less than or equal to four months old)	5%
Cure Efficiency	**Definition:** The number of loans between 30 days delinquent and the allowable foreclosure time line that cure or payoff in the current month divided by the number of loans between 30 days delinquent and the allowable foreclosure time line in the previous month. Full reinstatements, successful repayment plans, prepayment/maturity and repurchases will be considered in the numerator. **Calculation:** Count of loans D30 to time line that prepaid/matured, fully reinstated or completed a successful repayment plan in the current cycle ---------- Count of loans D30 to time line in the previous month	10%

Criteria	Definition/Calculation	Weights
Retention Efficiency	**Definition:** The number of loans between 60 days delinquent and the allowable foreclosure time line that initiated a trial modification or settled a non-trial modification during the current month divided by the number of loans that are between 60 days delinquent and the allowable foreclosure time line in the previous month. **Calculation:** (Count of loans D60 to FCL time line that initiated a trial mod + all settled non-trial mods in the current cycle) ---------- (Count of loans D60 to FCL time line in the previous cycle - Existing trials that are less than or equal to four months old)	10%
Liquidation Efficiency	**Definition:** The number of loans between 90+ days delinquent (including in active FCL) and the allowable foreclosure time line that settled a short sale or notified DILs during the current month divided by the number of loans that are between 90+ days delinquent (including in active FCL) and the allowable foreclosure time line in the previous month. Liquidations include settled short sales and notified DILs. **Calculation:** (Count of loans D90+ to FCL time line that settled a short sale or notified DILs during the current cycle) ---------- (Count of loans D90+ to FCL time line in the previous cycle - Existing trials that are less than or equal to four months old)	5%
Workout Effectiveness		
12-Month Performance	**Definition:** The percentage of loan modifications that are current 12 months after the modification closed or paid off (matured or prepaid) during the 12-month period. **Calculation:** Count of mods that are current in the current cycle from the denominator pool + Count of mods that are paid off during the 12-month period ---------- Count of closed mods 12 months prior	2%

Criteria	Definition/Calculation	Weights
Default Timeline Management		
Average Age Past FCL Sale Standard	**Definition:** Average age of 180+ days delinquent loans (including in active FCL) and loss liquidations where the loan was 180+ days delinquent, that are exceeding the allowable foreclosure time line. Loss liquidations include settled short sales, notified DILs and notified FCL sales (REO or TPS). **Calculation:** (Sum of days exceeding the FCL time line for loans that are D180+ DLQ (including in active FCL) or liquidated at D180+ DLQ and are exceeding the allowable foreclosure time line, in the current cycle) ---------- (Count of loans D180+ DLQ or liquidated at D180+ DLQ that are exceeding the FCL time line, in the current cycle) - (selected sub-statuses: third-party FCL sale, FCL sale – HUD conveyance, FCL sale – recourse, FCL sale – REO pending, open REO, REO settled and closed)	20%
Beyond Timeline Resolution Rate	**Definition:** As a percentage, the number of loan dispositions (REO, TPS, repurchases, short sales, DILs, full payoffs) and delinquency cures (loans less than 30 days delinquent for a given month and were greater than or equal to 30 days delinquent (including FCL) in the prior month) from loans beyond their allowable foreclosure time line, compared to the total inventory of loans beyond their allowable foreclosure time line. **Calculation:** (Total number of loan dispositions (notified FCL Sales (REO or third party), notified DILs, full payoffs (prepaid/maturity, settled short sales, repurchases) and cures (loans that are <D30 in the current cycle and were >=D30 (including FCL) in the previous cycle), that exceeded their allowable FCL time line in the previous cycle) ---------- (Total number of loans that exceed their allowable FCL time line in the previous cycle) - (selected sub-statuses: third-party FCL sale, FCL sale – HUD conveyance, FCL sale – recourse, FCL sale – REO pending, open REO, REO settled and closed)	18%

Criteria	Definition/Calculation	Weights
Data Integrity		
Initial Delinquency Reporting	**Definition:** A percentage, the number of edits generated in the first monthly Electronic Default Reporting (EDR) transmission compared to the total number of 30+ delinquent loans in a Servicer's portfolio. **Calculation:** Number of edits generated in the first monthly EDR transmission in Month X ---------- Total 30+ delinquencies in Month X	0%
Final Delinquency Reporting	**Definition:** A percentage, the number of edits that have not been resolved plus the number of 90+ delinquent loans and loans in foreclosure that have not been reported as of the close of the sixth Business Day of the month compared to the total number of 30+ delinquent loans in a Servicer's portfolio. **Calculation:** Number of edits in the monthly EDR transmission that have not been resolved as of the close of the sixth Business Day in Month X + Number of 90+ days delinquent loans and loans in foreclosure that were not reported as of the close of the sixth Business Day in Month X ---------- Total 30+ delinquencies in Month X	0%
Accuracy of DDLPI Reporting	**Definition:** The percentage of your 30+ delinquent loans reported with DDLPIs that are inconsistent with the DDLPI information reported via Loan-Level Reporting. **Calculation:** Number of DDLPI discrepancies between EDR and Loan-Level Reporting in Month X ---------- Total 30+ delinquencies in Month X	5%
Timeline REO Notifications	**Definition:** The average number of days from the first Business Day after the foreclosure sale date to the date the Servicer reports the foreclosure sale results to Freddie Mac. **Calculation:** Total number of days to report foreclosure sale results for the most recent six-month period ---------- Total number of foreclosure sales reported for the most recent six-month period	0%

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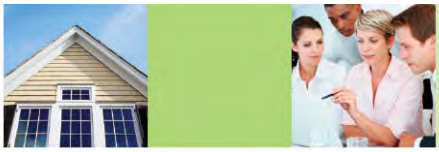

Bulletin

TO: Freddie Mac Servicers November 17, 2014 | 2014-20

SUBJECT: SERVICING UPDATES

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

- MI delegations of authority for foreclosure sale bidding
- Aligned requirements for handling insurance loss settlements when the Mortgaged Premises is located in an Eligible Disaster Area or not
- Clarifications and revisions to our Servicing requirements for Borrowers who are Servicemembers and their Dependents (as those terms are referenced in Guide Section 82.1, *Overview*)
- The retirement of Expense Manager℠

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

EFFECTIVE DATE

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

MI DELEGATIONS OF AUTHORITY FOR FORECLOSURE SALE BIDDING

Effective January 16, 2015

Freddie Mac has reached agreements with several MIs allowing Freddie Mac and its Servicers to establish bids at foreclosure sale according to Freddie Mac's guidelines for Mortgages covered by mortgage insurance policies provided by participating MIs. This delegated authority will create new efficiencies for a Servicer when preparing for a foreclosure sale.

The list of participating MIs is available in the Freddie Mac Service Loans application. To access the list, select the "My Home" tab located in the Service Loans application and click on the link to "Delegated MI Companies." The list will be updated when MIs are added or removed from the list. Servicers must refer to the list when preparing for foreclosure sales scheduled on or after January 16, 2015 for Mortgages covered by mortgage insurance policies.

For each participating MI, the Servicer must follow the foreclosure sale bidding instructions in Section 66.29, *First Lien Mortgages Not Covered by Mortgage Insurance or Subject to Credit Enhancements*, for Mortgages insured by that MI.

Foreclosure sales scheduled prior to January 16, 2015

A participating MI's requirements or guidelines may reflect or require adoption of the referenced delegation prior to January 16, 2015. Servicers are required to implement this change in accordance with the applicable MI's requirements or guidelines.

Preservation of deficiency rights

Notwithstanding the above, if the Mortgage has mortgage insurance and the MI's bidding instructions or requirements include preserving deficiency rights, when permitted by applicable law, the Servicer must preserve the MI's right to pursue a deficiency action. The Servicer should bid an amount at foreclosure sale that reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis. This requirement applies whether or not the MI has delegated authority to Freddie Mac for foreclosure sale bidding.

Credit bids

As a reminder, credit bids provided to Servicers through the Service Loans application are applicable for First Lien Mortgages that are not covered by mortgage insurance, not insured by the FHA, not guaranteed by the VA or the Rural Housing Service (RHS) and not subject to a credit enhancement. If the Mortgage is covered by mortgage insurance, insured by the FHA, guaranteed by the VA or RHS or subject to a credit enhancement, then the Servicer must bid an amount approved by the responsible party, unless Freddie Mac has a delegation of authority from the applicable party. Refer to Sections 66.26, *Delegated Bidding*, through 66.32, *Failure to Bid Appropriately*, for requirements on the foreclosure sale bidding process.

INSURANCE LOSS SETTLEMENTS

We currently have different requirements for handling insurance loss settlements based on whether the cause of loss is disaster-related or non-disaster-related. This Bulletin updates Sections 58.10, *Insurance Loss Settlements*, and 68.3, *Insurance Loss Settlements after an Eligible Disaster*, to introduce one set of uniform requirements for Servicers.

With this change, we are providing the Servicer with delegated authority to release insurance proceeds to the Borrower based on the Mortgage status at the time the Servicer is notified of the loss. We are providing separate requirements for losses when the Mortgage is current or less than 31 days delinquent at the time of loss or 31 or more days delinquent at the time of loss.

Servicers are encouraged to implement the new requirements immediately, but must implement them no later than **February 1, 2015**.

SERVICING REQUIREMENTS FOR BORROWERS WHO ARE SERVICEMEMBERS AND THEIR DEPENDENTS

Foreclosure relief

In Bulletin 2013-15, we highlighted our commitment to active duty Servicemembers and their families by offering additional foreclosure relief to Servicemembers and their Dependents. In response to inquiries from Servicers, we are clarifying our requirements in Section 82.2(c), *Foreclosure Relief Extended to Servicemembers and Their Dependents by Freddie Mac in Addition to SCRA Provisions and State Military Relief Laws*.

Freddie Mac will extend foreclosure relief to a Servicemember and his or her Dependent during the period of Military Service and for one year after the date Military Service ends when the Borrower:

- Is a Servicemember, regardless of when the Mortgage was originated, and the Mortgaged Premises serves as his or her Primary Residence
- Is a Dependent of a Servicemember and the Mortgaged Premises is the Primary Residence of the Servicemember or a Dependent of a Servicemember
- Was a Servicemember who died during his or her Period of Military Service and the Mortgaged Premises continues to serve as the Primary Residence of a Dependent of the Servicemember

Servicers may refer to the **Freddie Mac Military Relief Options for Service Members** web page for examples of how to determine if a Borrower is a Dependent of a Servicemember.

Reporting Mortgages eligible for the SCRA interest rate cap

We have recently updated our operational procedures related to the SCRA interest rate cap. As a result, Servicers no longer need to submit Guide Forms 1066, *SCRA Accounting Data Form*, or 1071, *Supplemental Accounting Report of SCRA Mortgages*. Instead, Servicers may submit a CSV file to identify Mortgages that are eligible for the SCRA interest rate cap and extensions to a Servicemember's Period of Military Service and, on a monthly basis, submit a text file to claim their interest rate differential reimbursement for each SCRA-capped Mortgage. Servicers may submit these files directly to their investor reporting specialist. We have updated Section 82.7, *Accounting Reports and Remittances*, to outline our updated SCRA-related reporting and remittance requirements.

We are repurposing Guide Exhibits 71, formerly titled *SCRA Example of Principle and Interest Payment Calculation*, and 72, formerly titled *SCRA Example of Monthly Interest Rate Differential Credit*, to highlight the new SCRA reporting formats:

- Exhibit 71, *CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy*
- Exhibit 72, *Text File Format to Request SCRA Interest Rate Differential*

We are also updating Sections 82.4, *Applying SCRA Provisions*, 82.5, *Calculation of New Monthly Payment*, 78.22.1, *Quarterly Reporting and Remitting Requirements*, and 78.33, *Additional Monthly Reporting Requirements*, and Directory 3 to conform to the revised investor reporting procedures and retiring Forms 1066 and 1071 from the Guide.

These changes are effective **April 1, 2015**, however, Servicers are encouraged to adopt these changes as soon as it is operationally feasible.

RETIREMENT OF EXPENSE MANAGER[SM]

Effective **March 1, 2015**, Expense Manager will be retired. Servicers are being directed to utilize the reports in the Freddie Mac Reimbursement System that have been migrated over from Expense Manager for the reconciliation of reimbursement claims filed or needing to be filed. These reports currently exist within the Reimbursement System and include, but are not limited to, Claims Submission Reports, Real Estate Owned (REO) Loans Eligible for Initial or Final 104SF Filing, and Settled Workout Loans Eligible for Final or Supplemental 104SF Fillings. Servicers are encouraged to implement this change as soon as possible, as Expense Manager will not be accessible on and after March 1, 2015.

Exhibit 88, *Servicing Tools*, has been updated to reflect this change.

ADDITIONAL GUIDE UPDATES AND REMINDERS

Reminder: Condominium, Planned Unit Development (PUD) and homeowners association (HOA) assessments in super lien States

The Supreme Court of the State of Nevada recently held that foreclosure by an HOA on its lien for delinquent assessments extinguished the existing Mortgage on the property. In light of this ruling, we are reminding Servicers that pursuant to Section 66.22, *Expenses that May Become First Liens on the Property*, Servicers must take steps to ensure that our Mortgage is not adversely affected, including but not limited to, paying any condominium, HOA and PUD regular assessments that are, or may become, superior to our lien and pose a risk to our interest in the Mortgaged Premises if left unpaid.

Accordingly, it is important for Servicers to continue to have adequate procedures and processes in place to ensure that they are notified by the HOA of any activities that affect, or could affect, Freddie Mac's interest in the Mortgaged Premises.

The steps that a Servicer must take vary from State-to-State. For example, in certain super lien States, the Servicer's notification to the HOA of its current name, address and interest in the property may legally obligate the HOA to notify the Servicer of any pending action affecting the property by the HOA. While in other States, such as Nevada, the Servicer may need to take additional steps to ensure the Servicer is notified of a pending foreclosure on a lien for delinquent assessments (e.g., the recordation of a Request for Special Notice by the Servicer).

Audit confirmation requests

Freddie Mac's Single-Family Operations Investor Reporting department recently established a centralized mailbox to receive audit confirmation requests. Servicers must now send their audit confirmation requests to **audit_confirmation@freddiemac.com**. We have updated Section 55.5, *Audit Confirmation Requests*, and Exhibit 65, *Audit Confirmation Request*, to reflect this new e-mail address.

Directory 1 updates related to document custody eligibility

Effective October 15, 2014

As announced in Bulletin 2014-18, for Seller/Servicer convenience, we have reviewed our contact information for the notification and submission of information to Freddie Mac's Counterparty Credit Risk Management department and determined that the e-mail address, **institutional_eligibilty@freddiemac.com** (which is used for many things, including the submission of Form 1107SF, *Seller/Servicer Change Notification Form*, to Freddie Mac), may also be used as an option for the Seller/Servicer to notify Freddie Mac:

- In the event of any cancellation or non-renewal of any of the required insurance coverages for Document Custodians provided in Sections 18.2(b), *Basic Eligibility Requirements*, and 18.4(c), *Transit Insurance Requirements*
- The Document Custodian fails to comply with any eligibility requirement provided in Guide Chapter 18, *Document Custody*

Directory 1 has been updated to reflect these changes.

Private mortgage insurance master policy reminder

As announced in Bulletin 2014-13, any Mortgage that was sold to Freddie Mac, requires private mortgage insurance and has an Application Received Date on or after **October 1, 2014**, must be insured under one of the new private mortgage insurance master policies. Seller/Servicers should review Exhibit 10, *Freddie Mac Approved Mortgage Insurers*, periodically for current information on Freddie Mac-approved MIs, including the form numbers for the new master policies. Exhibit 10 can be accessed on FreddieMac.com at **http://www.freddiemac.com/singlefamily/guide/mortgage_insurers.html**.

Reference to "Mortgages Purchased in Whole or in Part"

We have updated applicable Guide sections to remove remaining references to "Mortgages Purchased in Whole or in Part." The term was previously defined in the Glossary but was removed with the retirement of MIDANET®.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 39, 51, 54, 55, 56, 58, 59, 68, 70, 76, 78, 81 and 82
- Forms 1066 and 1071
- Exhibits 65, 71, 72 and 88
- Directory 3

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-20 (Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1420_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 "Servicing."

Sincerely,

Yvette W. Gilmore

Vice President
Servicer Performance Management

Freddie Mac
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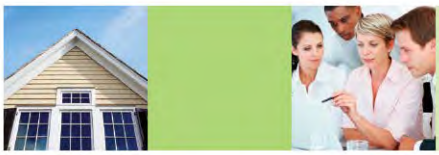


Bulletin

TO: Freddie Mac Sellers and Servicers November 20, 2014 | 2014-21

SUBJECT: SELLING REPRESENTATION AND WARRANTY FRAMEWORK LIFE-OF-LOAN EXCLUSIONS

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin announces, jointly with Fannie Mae and at the direction of the Federal Housing Finance Agency (FHFA), a number of significant enhancements to the selling representation and warranty framework ("the framework"), which was introduced in 2012 ("Version 1 of the framework") and updated earlier this year ("Version 2 of the framework"). These changes relate to the framework's life-of-loan representations and warranties for misstatements, misrepresentations, omissions and data inaccuracies.

In addition to the changes to the framework's life-of-loan representations and warranties, we are also updating Guide Section 6.2, *Compliance with Applicable Law*, to provide Seller/Servicers with more certainty and transparency regarding when and how Freddie Mac will be able to enforce remedies for compliance with laws violations.

EFFECTIVE DATES

All changes to the framework's life-of-loan representations and warranties are retroactively effective for Mortgages with Settlement Dates on and after January 1, 2013, except that such changes do not apply to any Mortgages for which Freddie Mac has issued a repurchase request prior to this Bulletin.

The changes to Section 6.2 are effective immediately and apply to Mortgages with Settlement Dates on and after November 20, 2014.

It is Freddie Mac's expectation that any future modifications to the framework will apply prospectively.

EXCLUSIONS – LIFE-OF-LOAN SELLING REPRESENTATIONS AND WARRANTIES

Background

Under the framework, Seller/Servicers are relieved from Freddie Mac's enforcement of certain selling representations and warranties related to the underwriting of the Borrower, the Mortgaged Premises, and the project in which the Mortgaged Premises is located for Mortgages that have achieved an acceptable payment history or a satisfactory conclusion of a Freddie Mac quality control review. These relieved representations and warranties are listed in the chart in Section 6.14(a), *Representations and Warranties*. As stated in Section 6.14(c), *Life-of-Loan Representations and Warranties*, Seller/Servicers are not relieved from Freddie Mac's enforcement of its representations and warranties with respect to the following matters ("life-of-loan representations and warranties"), even if the issues are referenced in a Guide section relieved in Section 6.14(a):

- Charter matters
- Misstatements, misrepresentations and omissions
- Data inaccuracies
- Clear title/First Lien priority
- Compliance with laws
- Mortgage product eligibility

The representations and warranties in the Guide that are not listed in the chart in Section 6.14(a) (for example, pooling and delivery requirements) do not obtain relief under the framework.

We are updating Section 6.14, *Enforcement of Representations and Warranties Related to Underwriting of the Borrower, Mortgaged Premises and Project*, to provide Seller/Servicers with more certainty regarding when

Freddie Mac will enforce remedies, including repurchase, related to the life-of-loan exclusions for misstatements, misrepresentations, omissions and data inaccuracies. Updates include a new test to determine whether misrepresentations or data inaccuracies are significant.

This Bulletin also includes information related to post-relief date Mortgage file reviews and reminders related to Seller/Servicer's right to cure a defect and to appeal a repurchase request pursuant to the Guide.

Misstatements, misrepresentations and omissions

For Mortgages that have obtained relief under the framework, we are updating the life-of-loan representation and warranty for misstatements, misrepresentations and omissions as specified below.

The Mortgage must not have any misstatements, misrepresentations or omissions ("misrepresentations") by any party to the Mortgage transaction pertaining to the Borrower, Mortgaged Premises or project in which the Mortgaged Premises is located that are made with or without Seller's knowledge and that:

1. Involve three or more Mortgages sold to Freddie Mac by the same Seller, and
2. Were made pursuant to a common pattern of activity in connection with the Mortgage origination or sale, based on information in the Mortgage file or other facts or circumstances that existed on the Settlement Date, which involved at least one party common to all the Mortgages (if the common party is the Seller, then the same individual; if the common party is a third party, then the same individual or entity), and
3. Are "significant" in that, using true and accurate information, either (a) Freddie Mac determines that the Mortgage would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or (b) Freddie Mac determines that the Mortgage would have been eligible for sale, but under different terms

We have also updated the language for misrepresentations to specify that:

- For purposes of finding three or more Mortgages to constitute the pattern, both Mortgages that have obtained relief under the framework and Mortgages that have not obtained relief may be counted. If Mortgages that have not obtained relief are counted for purposes of establishing a pattern, those Mortgages must meet all requirements of this exclusion (i.e., three or more Mortgages, common pattern of activity, significance) in order for Freddie Mac to enforce a remedy for each Mortgage.
- In determining whether a misrepresentation is significant, Freddie Mac will rely on its Loan Prospector® simulator, which approximates the Risk Class at the time of delivery. Freddie Mac will compare the Loan Prospector simulator assessment using true and accurate information with the Loan Prospector simulator assessment received at the time of delivery.

  A misrepresentation will be considered significant only if the Mortgage receives a worse Loan Prospector assessment from the simulator than was received at the time of delivery to Freddie Mac, except that Freddie Mac will also take into account any applicable negotiated terms of business and the impact of any undisclosed concessions, concealed transaction terms or other violations of the Seller's Purchase Documents that are involved in the misrepresentation, but are not evaluated by the Loan Prospector simulator when determining significance. Freddie Mac will notify the Seller/Servicer of any such undisclosed matters or violations that are considered in connection with determining significance and will provide the Seller/Servicer with documentation supporting the significance determination.
- If Freddie Mac determines that the Mortgage would have been eligible for sale but under different terms than those under which the Mortgage was sold, as described in 3(b) above, Freddie Mac will not seek repurchase, but instead will re-price the Mortgage, consistent with the Seller's Purchase Documents in effect on the Settlement Date, to reflect the true risk profile of the Mortgage
- As an exception to the above, Mortgages involving fraud will be subject to repurchase, regardless of whether the above test (three or more Mortgages, common pattern of activity, significance) has been met. For purposes of this life-of-loan representation and warranty only, "fraud" is established either by (i) an adjudicated claim affirming fraud by or against the Seller or other party to the Mortgage transaction, or (ii) Freddie Mac finding clear and convincing evidence that a Seller or other party to the Mortgage transaction knowingly executed or participated in a scheme or artifice in connection with the underwriting, origination or sale of a Mortgage (1) to defraud Freddie Mac or any other party to the Mortgage transaction, or (2) to obtain

any moneys, funds, credits, assets, securities, or other properties from Freddie Mac or any other party to the Mortgage transaction by means of fraudulent pretenses, representations or promises.

Data inaccuracies

For Mortgages that have obtained relief under the framework, we are updating the life-of-loan representation and warranty for data inaccuracies as specified below.

The Mortgage must not have any Uniform Loan Delivery Dataset (ULDD) data inaccuracies pertaining to the underwriting of the Borrower, Mortgaged Premises or project in which the Mortgaged Premises is located, if and to the extent:

1. The data inaccuracies affect five or more Mortgages and involve the same delivery data element(s), and
2. The ULDD data differs from the information in the Mortgage file, and
3. The data inaccuracies are "significant" in that, using the information from the Mortgage file to qualify the Borrower, Mortgaged Premises and/or project in which the Mortgaged Premises is located, either (a) Freddie Mac determines that the Mortgage would not have been eligible for sale under the terms of Seller's Purchase Documents in effect on the Settlement Date, or (b) Freddie Mac determines that the Mortgage would have been eligible for sale, but under different terms

We have also updated the language for data inaccuracies to specify that:

- For purposes of finding five or more Mortgages involving the same delivery data element inaccuracy, both Mortgages that have obtained relief under the framework and Mortgages that have not obtained relief may be counted. If Mortgages that have not obtained relief are counted for purposes of establishing that there were five or more Mortgages with the same delivery data element inaccuracy, those Mortgages must meet all other requirements of this exclusion (i.e., same delivery data elements, data differs from information in the Mortgage file, significance) in order for Freddie Mac to enforce a remedy for each Mortgage.
- In determining whether the data inaccuracy is significant, Freddie Mac will rely on its Loan Prospector simulator, which approximates the Risk Class at the time of delivery. Freddie Mac will compare the Loan Prospector simulator assessment using true and accurate information with the Loan Prospector simulator assessment received at the time of delivery.

  A data inaccuracy will be considered significant only if the Mortgage receives a worse Loan Prospector assessment from the simulator than was received at the time of delivery to Freddie Mac, except that Freddie Mac will also take into account any applicable negotiated terms of business when determining significance. Freddie Mac will provide the Seller/Servicer with documentation supporting the significance determination.
- If Freddie Mac determines that the Mortgage would have been eligible for sale, but under different terms than those under which the Mortgage was sold, as described in 3(b) above, Freddie Mac will not seek repurchase, but instead will re-price the Mortgage consistent with the Seller's Purchase Documents in effect on the Settlement Date to reflect the true risk profile of the Mortgage

Mortgage product eligibility/unacceptable Mortgage products

The Mortgage product eligibility life-of-loan representation and warranty will now be called unacceptable Mortgage products. Although the Seller must reference the Guide requirements in order to determine whether a Mortgage is acceptable for sale to Freddie Mac, Freddie Mac has listed examples of unacceptable Mortgage products in this life-of-loan exclusion to the framework. We have updated this non-exhaustive list in Section 6.14(c) to add more examples and to make clear what constitutes an unacceptable Mortgage product. Freddie Mac will not expand this list by adding features related to the underwriting of the Borrower, the Mortgaged Premises, or the project in which the Mortgaged Premises is located.

Post-relief date Mortgage file/appraisal reviews

Freddie Mac may perform Mortgage file reviews for quality assurance and audit purposes, both before and after the Mortgage obtains relief under the framework. However, Freddie Mac cannot issue a repurchase request or seek a remedy with respect to a deficiency in the underwriting of the Borrower, Mortgaged Premises, or project in which the Mortgaged Premises is located that is relieved under the framework (i.e., listed in the chart in

Section 6.14(a)) that is discovered after the Mortgage has obtained relief, except to the extent the deficiency involves one of the life-of-loan exclusions. For Mortgages that have obtained relief under the framework, if Freddie Mac reviews the appraisal in the Mortgage file after the relief date and determines that the property value used to calculate the loan-to-value (LTV) ratio was incorrect at the time of delivery, Freddie Mac will not issue a repurchase request based solely on the fact that the newly calculated LTV is over 80% and the Mortgage did not have a credit enhancement in place when it was delivered to Freddie Mac.

Reminders related to Seller/Servicer's right to cure and to appeal repurchase requests

As a reminder, Seller/Servicers may cure underwriting and origination defects that are capable of being cured consistent with the Guide. Once a Seller/Servicer has cured a Mortgage defect in the time and manner specified, Freddie Mac cannot enforce a remedy based on the breach of the cured defect.

Also, as a reminder, all repurchase requests issued for breaches of representations and warranties may be appealed by the Seller/Servicer under the appeals process described in Section 72.6, *Appealing a Repurchase Request Due to Violations of Sale Representations and Warranties*.

COMPLIANCE WITH LAWS

In addition to the above changes, Freddie Mac is updating Section 6.2, which requires Sellers to comply with all applicable federal, State and local laws, ordinances, regulations and orders. These changes are effective immediately and apply to all Mortgages with Settlement Dates on and after November 20, 2014, without regard to whether they have obtained relief under the framework.

Previously, under Section 6.2, Freddie Mac could enforce a remedy, including repurchase, for all Seller violations of applicable federal, State and local laws, ordinances, regulations and orders. To provide more transparency and certainty to Seller/Servicers, we are limiting those situations for which we may issue a repurchase request to violations of law that:

- Could be expected to impair Freddie Mac's or its Servicer's ability to enforce our Note or Mortgage, or
- Impose assignee liability, or
- Are found to have been violations of, or if Freddie Mac has made a finding based on the facts available to Freddie Mac that a violation may have occurred of, one or more of the following laws or related regulations:
  - Foreign assets control regulations, 31 C.F.R. Chapter V, as amended, and any authorizing legislation or executive order relating thereto, as administered by the Office of Foreign Assets Control (OFAC) within the United States Department of the Treasury (collectively "OFAC Regulations")
  - The Fair Housing Act
  - Anti-discrimination provisions of the Equal Credit Opportunity Act (ECOA)
  - Unfair, deceptive, or abusive acts or practices under federal and State laws (UDAAP)
  - The Securities Exchange Act of 1934

With respect to UDAAP, Freddie Mac will take into consideration published federal and State announcements of interpretations as well as all published judicial and administrative decisions and will not enforce a repurchase if the matter can be cured by remediation to the injured party and the Seller/Servicer makes such remediation. However, three or more years after the Settlement Date of a Mortgage, Freddie Mac may not seek repurchase on UDAAP grounds regarding a specific practice unless a lender self-reports or if a federal or State enforcement authority has indicated, asserted or claimed that such practice violates or may violate UDAAP, or a federal or State court has held that a specific practice violates UDAAP.

A repurchase demand based on a compliance with law violation will include supporting facts and findings made by Freddie Mac in the course of considering the facts and circumstances before it. Freddie Mac's determination that a violation has occurred must be consistent with the facts and circumstances provided by the Seller/Servicer and any other information obtained by Freddie Mac as part of its evaluation of the situation.

When Freddie Mac issues a repurchase request in connection with a failure to comply with laws and there is pending litigation underway involving that same issue or a government agency with authority to make a determination regarding the issue has publicly stated that it is reviewing the issue, the Seller/Servicer will not be

required to repurchase until 30 days after the litigation has been dismissed, settled or concluded at trial in an adjudication or the governmental agency has made a final determination, as applicable (collectively, “the Resolution”). After the Resolution, the Seller/Servicer may request that Freddie Mac review the appropriateness of the repurchase request in light of the Resolution. Freddie Mac will withdraw the repurchase request where appropriate.

As a reminder, the Seller/Servicer remains obligated to indemnify Freddie Mac for losses, judgments, damages, claims, costs, expenses, legal actions and legal fees related to any claim of non-compliance with laws or regulations.

As previously announced, Freddie Mac will not issue a repurchase request based on violations of the ability to repay provisions under the Truth-in-Lending Act (“ATR”) unless a court or regulator concludes the Mortgage did not comply with ATR.

TRAINING

Seller/Servicers should visit the **Freddie Mac Learning Center** and the **Freddie Mac Representation and Warranty web page** for additional reference information and tools in support of the framework.

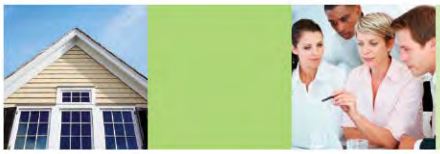
CONCLUSION

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,

Laurie Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®



Bulletin

TO: Freddie Mac Sellers December 8, 2014 | 2014-22

SUBJECT: FREDDIE MAC HOME POSSIBLE ADVANTAGE℠

In our effort to increase access to mortgage credit, this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin introduces Freddie Mac Home Possible Advantage, a Home Possible® offering with the additional flexibility of 97% maximum loan-to-value (LTV) and 105% maximum total LTV (TLTV) ratio limits. Home Possible Advantage provides a responsible financing option for qualified low- and moderate-income Borrowers, including first-time homebuyers, who may lack funds for a larger down payment.

This new offering will be available for Mortgages with Freddie Mac Settlement Dates on or after **March 23, 2015**.

General requirements

Home Possible Advantage Mortgages must comply with the requirements for Home Possible Mortgages, including but not limited to, the following:

- The transaction must be a purchase or "no cash-out" refinance transaction
- All Borrowers must occupy the property as their Primary Residence
- For Manually Underwritten Mortgages, a minimum Indicator Score of 660 for purchase transactions or 680 for "no cash-out" refinance transactions
- The Borrower's annual qualifying income must not exceed 100% of the area median income or the income multipliers in the designated high-cost areas, as stated in Guide Section A34.7, *Eligible Borrowers*. There is no income limit if the Mortgaged Premises are located in an Underserved Area.
- At least one Borrower must participate in a homeownership education program when all of the Borrowers are First-Time Homebuyers (acceptable homeownership education program options, which include programs using CreditSmart® modules, are listed in Section A34.12, *Homeownership Education and Landlord Education*)
- The Servicing requirements in Sections 59.1, *Escrow for Taxes, Ground Rents, Assessments and Other Charges*, 63.2, *Collection Efforts*, and 64.5, *Collection Efforts*

The following additional requirements apply for Home Possible Advantage Mortgages:

- The Mortgage must be a fixed-rate Mortgage secured by a 1-unit property other than a Manufactured Home
- Secondary financing must be an Affordable Second®
- For a Manually Underwritten Mortgage:
  - The monthly debt payment-to-income ratio must not exceed 43%, and
  - At least one Borrower must have a usable Credit Score and an Indicator Score must be established
- The required level of mortgage insurance coverage is 18% for a Home Possible Advantage Mortgage with an LTV ratio greater than 95%

Loan Prospector® and Loan Quality Advisor® will be updated prior to the effective date of March 23, 2015 to support this offering. Sellers will be notified when these changes are implemented.

Delivery

We are updating Section 17.18, *Home Possible® Mortgages,* to reflect that Sellers must deliver the new valid value of "Home Possible Advantage" for ULDD Data Point *Loan Program Identifier* (Sort ID 404) for all Home

Possible Advantage Mortgages. The new valid value will be available in the Freddie Mac Selling System on March 23, 2015.

This change will be reflected in the next quarterly release of the Uniform Loan Delivery Dataset (ULDD) specification addendum.

Postsettlement delivery fee

A new postsettlement delivery fee ("delivery fee") will apply to Home Possible Advantage Mortgages as reflected in the table below.

		HOME POSSIBLE ADVANTAGE MORTGAGES Effective for Settlements on or after March 23, 2015		
Product	**Loan Purpose**	**Credit Score**		
		All Eligible		
		< 680	**≥ 680 & < 720**	**≥ 720**
All Eligible Product	**Purchase**	1.50%	1.25%	1.00%
	No Cash-out Refinance	1.75%	1.75%	1.75%

Certain delivery fees are excluded for Home Possible Advantage Mortgages, including:

- Indicator Score/Loan-to-Value
- Condominium Unit Mortgages
- CS/LTV Delivery Fees ("A-Minus Fees") – LP Mortgages
- Secondary Financing, with Affordable Seconds meeting the requirements of Section 25.1(g), *Affordable Seconds*

As a reminder, per Section 17.18(b)(iii), *Home Possible Mortgages with Affordable Seconds®*, Sellers must deliver a valid value of "583" for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) for all Home Possible Mortgages with Affordable Seconds.

Guide Exhibit 19, *Postsettlement Delivery Fees*, has been updated and reflects a complete listing of applicable delivery fees and delivery fee exclusions.

Training and resources

To learn more about Home Possible Advantage, Sellers can register for the **Home Possible Advantage webinar**. Sellers should visit the **Home Possible Mortgages web page** and the **Freddie Mac Learning Center Home Possible web page** for additional tools, resources and upcoming training.

Revisions to the Guide

The following sections of Guide Chapter A34, *Home Possible® Mortgages*, have been updated to incorporate Home Possible Advantage:

- A34.1, *Overview; Limits; Origination*
- A34.2, *Home Possible Advantage℠ Mortgages*
- A34.3, *Eligible and Ineligible Mortgages*
- A34.6, *Eligible Property and Appraisal Requirements*
- A34.8, *Underwriting Requirements*
- A34.9, *Borrower Income; Qualifying Ratios*
- A34.10, *LTV/TLTV/HTLTV Ratios, Borrower Contribution, Reserves, Source of Funds*

- A34.11, *Mortgage Insurance*
- A34.14, *Postsettlement Delivery Fees*

Additionally, Sections 17.18, H33.3, *General Eligibility Requirements*, and 35.3, *Home Possible® Mortgages with Rural Housing Servicer (RHS) Leveraged Seconds*, and Exhibits 19 and 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*, have been updated as needed.

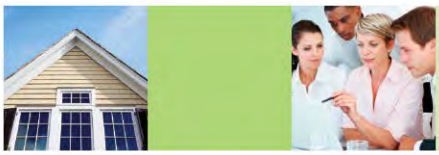
CONCLUSION

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,

Laurie Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®



Bulletin

TO: Freddie Mac Servicers December 8, 2014 | 2014-23

SUBJECT: SERVICING UPDATES

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

- The requirement that Servicers file and settle any property insurance claims with the applicable property insurer before submitting a recommendation to Freddie Mac to charge off a Mortgage
- The requirement that Servicers send Freddie Mac a copy of the fully executed modification agreement of Home Mortgages and Second Mortgages when the modification reduces monthly payments due to a partial principal curtailment
- A revision to our reporting requirements for distressed properties
- A new requirement regarding when Servicers can approve a request to release a portion of the Mortgaged Premises or to grant an easement to the Borrower
- Reduced fees for interior and exterior property valuations

In addition to the changes listed above, we are announcing 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.

CHARGE-OFFS

We are revising the requirements in Guide Section B65.51, *Submitting a Recommendation to Freddie Mac*, to provide that Servicers must file and settle any property insurance claims with the applicable property insurer before submitting a recommendation to Freddie Mac to charge off a Mortgage. When making a recommendation to Freddie Mac, the Servicer must submit the recommendation via Workout Prospector® with a detailed explanation of the recommendation documented under the comments section.

Additionally, we are revising the requirement in Section B65.53, *Closing, Reporting and Remittance Requirements*, to provide that Servicers must send the collateral documents to a Freddie Mac-approved vendor. Servicers are no longer required to send the documents to Freddie Mac. Upon request from the approved vendor, the Servicer must forward the required collateral documents to the vendor. Further, when the Servicer submits any claim proceeds to Freddie Mac, the Servicer now has the option either to wire transfer the proceeds or send a check to Freddie Mac.

Directory 5 has also been revised to reflect these changes.

MODIFICATIONS ON MORTGAGES WITH PARTIAL PREPAYMENTS (CURTAILMENTS)

The requirements in Section 59.2, *Partial Prepayments (Curtailments)*, provide that modifications of Home Mortgages and Second Mortgages that result in reduced monthly payments due to a partial principal curtailment may be approved by the Servicer without Freddie Mac's approval. If the Borrower requests a change to the monthly principal and interest payment on the Mortgage, the Servicer is required to have the Borrower and all necessary parties to the transaction execute a modification agreement specifying the new modified principal and interest payment. However, the Servicer was not previously required to send a copy of the modification agreement to Freddie Mac.

We are updating Section 59.2 to require the Servicer to send a copy of the fully executed modification agreement to Freddie Mac (see Directory 3) by the last Business Day of the month of the effective date of the new monthly principal and interest payment. Freddie Mac will update its systems with the new payment as set forth in the

executed modification agreement. If the number of Mortgages that the Servicer is modifying in accordance with the requirements in Section 59.2 exceeds a total of ten in a given month, the Servicer must complete and attach new Form 1102, *Modified Principal and Interest Payment*, with its submission to Freddie Mac.

Servicers must send an original fully executed modification agreement to the Document Custodian within 25 days after receiving it from the Borrower to be maintained with the Note. Servicers must also maintain a copy of the modification agreement in the Mortgage file.

As a reminder, Servicers must report and remit the new monthly modified principal and interest payments in accordance with the requirements in Guide Chapter 78, *Reporting and Remitting Requirements*.

Section 51.20, *Application of Payments: Partial Prepayments (Curtailments)*, and Directory 3 have also been updated to reflect these changes.

DISTRESSED PROPERTIES

We are clarifying Servicers' reporting obligations with respect to certain Mortgages secured by distressed properties. The Servicer should report a Mortgage secured by a distressed property to Freddie Mac via the contact information provided in Directory 5 only when a Risk of Property Ownership exists, as described in Section 65.20, *Risk of Property Ownership*, even if the Mortgage is not delinquent. Mortgages secured by distressed properties in which a Risk of Property Ownership does not exist should not be reported to Freddie Mac via the contact information provided in Directory 5.

As a reminder, Servicers must report all Mortgages secured by distressed properties to Freddie Mac via Electronic Default Reporting (EDR) regardless of whether or not a Risk of Property Ownership exists.

Sections 65.20 and 67.27, *Servicing Mortgages on Distressed Properties*, Directory 5 and the Glossary have been updated to reflect these changes

CHANGES TO THE MORTGAGED PREMISES

Section 60.6(b), *Permitted Transfers of Ownership Subject to Conditions*, provides that Freddie Mac will permit a Transfer of Ownership of the Mortgaged Premises if certain conditions are met, including that at least 12 months must have passed since the Origination Date.

Similarly, we are updating Section 51.7, *Changes to the Mortgaged Premises*, to add the condition that at least 12 months must have passed since the Origination Date for a Servicer to have delegated authority to review and approve a request to release a portion of the Mortgaged Premises or to grant an easement to the Borrower.

PROPERTY VALUATION COSTS

Prior to renewing our national vendor contracts, we renegotiated fees for Broker's Price Opinions (BPOs) and appraisals. As a result, we have updated Section 65.40, *Valuation Costs*, to reduce our fees for interior property valuations with interior and exterior photographs to $105 and exterior property valuations with exterior photographs to $85.

ADDITIONAL GUIDE UPDATES

Requests for a limited power of attorney (LPOA)

Section 59.4, *Execution of Documents*, requires Servicers to submit all requests for Freddie Mac execution of documents via e-mail at **FMMDM@freddiemac.com** as provided in Directory 9. Additionally, Servicers were previously permitted to request an LPOA in accordance with the requirements in Section 51.3, *Servicing Facilities and Duties*, using the same e-mail address.

As a result of certain operational changes, we have updated Directory 9 to require Servicers to submit all requests for an LPOA via e-mail at **Shortsales@freddiemac.com**. All other requests for Freddie Mac execution of documents must continue to be submitted via e-mail at **FMMDM@freddiemac.com**.

Form 960, *Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages*

We are updating Form 960 to provide Servicers the ability to identify refinance Mortgages originated under the Home Affordable Refinance Program (HARP) when submitting a Transfer of Servicing.

Retirement of Guide form and exhibits

We have reviewed our forms and exhibits and determined that the following are no longer necessary, outdated and/or no longer provide value to Servicers and will therefore be retired:

- Form 1076, *Notification of Foreclosure Sale and Acquisition*: Servicers now submit foreclosure sale results via the Freddie Mac Service Loans application
- Guide Exhibit 69, *Seller/Servicer Remittance Analysis*: Examples explaining the Seller/Servicer remittance analysis have been incorporated into numerous products, such as **Investor Reporting to Freddie Mac**, available through the Freddie Mac Learning Center
- Exhibit 73, *GPM Payment Factors*: This exhibit is no longer referenced in the Guide and does not provide substantive value as a standalone exhibit
- Exhibit 80, *Balloon Loan Modification (Form 3293)*: We have updated Chapter A83, *Additional Servicing Requirements for Maturing Balloon/Reset Mortgages*, with a direct link to **Form 3292, *Multistate Balloon Loan Modification Agreement*,** and therefore Exhibit 80 is no longer necessary
- Exhibit 99, *Servicer Selection Form*: This exhibit is no longer referenced in Chapter 69, *Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters*, and is no longer necessary. In Bulletin 2013-9, we announced that Servicers must submit their Servicer Selection Forms through the Freddie Mac Servicer Attorney Tracking System (SATS). The Servicer Selection Form is available via SATS and we have updated Chapter 69 with a direct link to SATS as well as instructions to request access.

Applicable Guide sections have been updated to reflect these changes.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 51, 59, 65, B65, 67, 78 and A83
- Forms 960, 1076 and 1102
- Exhibits 69, 73, 80, 96 and 99
- Glossary
- Directories 3, 5 and 9

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-23 (Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1423_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 “Servicing.”

Sincerely,

Yvette W. Gilmore
Vice President
Servicer Performance Management

Freddie Mac
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Bulletin

TO: Freddie Mac Sellers and Servicers December 15, 2014 | 2014-24

SUBJECT: SELLING AND SERVICING UPDATES

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

Selling and Servicing topics

- Freddie Mac Loan Coverage Advisor℠, a flexible web-based application that calculates, tracks and publishes the representation and warranty relief date for Mortgages sold to Freddie Mac
- Clarifications concerning receipt and treatment of confidential information
- Organizational changes to Guide forms, exhibits and the Glossary

Selling topics

- Updates to the Guide to reflect the 2015 loan limits, as announced in our Single-Family Update e-mail on November 24, 2014
- Updates to certain ULDD Data Points, as reflected in the Uniform Loan Delivery Dataset (ULDD) specification addendum published today

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 TOPICS

Freddie Mac Loan Coverage Advisor

We are announcing the launch of Freddie Mac Loan Coverage Advisor (LCVA), a flexible, web-based application that supports our selling representation and warranty framework. LCVA calculates, tracks and publishes the date on which the Seller and/or Servicer is relieved of certain selling representations and warranties related to underwriting the Borrower, Mortgaged Premises and project in which the Mortgaged Premises is located ("relief date") for Mortgages sold to Freddie Mac. LCVA also provides Seller/Servicers with information about Servicing obligations, such as credit enhancements.

LCVA will give Seller/Servicers greater certainty and more transparency when doing business with Freddie Mac by enabling them to:

- Track their representation and warranty obligations, which could affect Mortgage reserve calculations
- View, query, export and produce reports on representation and warranty history and Mortgage events
- See how Servicing activity and Delinquencies impact the relief dates
- Create reports on Mortgages that have attained representation and warranty relief
- Track representations and warranties associated with Transfers of Servicing, credit enhancements, MI data and other Mortgage events

LCVA will be available beginning on **January 12, 2015**.

Seller/Servicer access to LCVA can be requested by completing and submitting new Guide Form 906, *Freddie Mac Loan Coverage Advisor℠ Authorized User Role Form*.

Seller/Servicers should complete and submit Form 906 as soon as possible to begin using LCVA when it becomes available on January 12, 2015. The reports providing written notification of Mortgages meeting the criteria for representation and warranty relief (as announced in Bulletin 2014-8) will be discontinued in early 2015 as a result of the availability of LCVA.

With the availability of LCVA, we are adding Guide Sections 2.27 and 51.28, each titled *Freddie Mac Loan Coverage Advisor℠*, and Guide Exhibit 39, *Freddie Mac Loan Coverage Advisor℠ User Agreement*. The exhibit outlines the Seller/Servicer's responsibilities while using LCVA and supersedes any other LCVA terms of use document signed by the Seller/Servicer. Each Seller/Servicer using LCVA, by virtue of such use, will be deemed to have agreed to the terms and conditions set forth in Exhibit 39.

Exhibit 88, *Servicing Tools*, has also been updated to include reference to LCVA.

Training and resources

To learn more about LCVA, Seller/Servicers can register for the **Loan Coverage Advisor webinar**. Seller/Servicers can also access the **Loan Coverage Advisor User Guide** along with other tools, resources and training events from the **Freddie Mac Learning Center** and **Loan Coverage Advisor web page**.

Receipt and treatment of confidential information

We are amending Sections 2.16 and 53.14, each titled *Receipt and Treatment of Confidential Information*, to clarify that MIs and other vendors are service providers with which confidential information may be shared, subject to certain conditions.

Additionally, we have added language requiring Seller/Servicers' counsel to determine whether sharing the confidential information is necessary for fulfilling the Seller/Servicer's Servicing or other obligations to Freddie Mac.

Organizational changes to Guide forms, exhibits and the Glossary

By early January 2015, Guide forms and exhibits will no longer be contained within each volume of the Guide. Instead, the Guide on AllRegs® will contain one comprehensive "Forms" folder and one comprehensive "Exhibits" folder.

Also by early January 2015, the Glossary will be broken up into three sections: A – I; J – Q; and R – Z.

These changes should help Seller/Servicers utilize and navigate through these materials.

Sections 1.4 and 50.3, each titled *Organization of the Single-Family Seller/Servicer Guide*, have been updated to reflect the organizational changes to the Guide forms and exhibits.

SELLING TOPICS

2015 loan limits

Effective for Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2015

As announced in our Single-Family Update e-mail dated November 24, 2014, base conforming loan limits and high-cost area loan limits will remain at the existing 2014 levels with the exception of 46 counties where the high-cost area loan limits will increase. The list of counties with increases is available on the Federal Housing Finance Agency's (FHFA) web page at **http://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/Counties_with_increases_cy2015.pdf**. Super conforming Mortgages intended for sale to Freddie Mac are subject to the loan limits set by FHFA for designated high-cost areas.

For Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2015, the base conforming loan limits ($417,000 for 1-unit properties in the contiguous United States) and the maximum loan limits for high-cost areas will remain at the current levels.

As a reminder, the Housing and Economic Recovery Act of 2008 (HERA) provides the formula for FHFA to determine the loan limits for high-cost areas. The HERA terms specify that the maximum allowable limit for high cost areas must not exceed $625,500 for a 1-unit single-family property in the contiguous United States, although actual loan limits for a specific high-cost area may be lower than the maximum permitted amount.

In all instances, the loan limits for 2- to 4-unit properties and Mortgages secured by properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands are higher.

Sellers must review the 2015 high-cost loan limits permitted for a specific county, which FHFA makes available on its web site at **http://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2015_HERA-BASED_FINAL.pdf**.

We have updated Section 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, to reflect the 2015 base conforming loan limits and Section L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*, to reflect the high-cost area loan limits for super conforming Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2015 and on or before December 31, 2015.

Uniform Loan Delivery Dataset (ULDD) updates

Today Freddie Mac published the fourth quarter 2014 ULDD Addendum included in *Appendix A, Freddie Mac XML Data Requirements V3.5.0,* ("Appendix A") as "Tab 9Q4-ULDDS Addendum Issued 12-15-14" ("ULDD Addendum").

In addition to other updates the ULDD Addendum includes the new valid value of "Home Possible Advantage" for ULDD Data Point *Loan Program Identifier* (Sort ID 404), effective **March 23, 2015**, for all Freddie Mac Home Possible Advantage℠ Mortgages, as announced in Bulletin 2014-22.

Sellers should review the ULDD Addendum in its entirety to determine impacts to their systems or processes and for applicable effective dates.

We are also updating Section 17.11, *Property Data Required for All Mortgages*, effective **May 5, 2015**, to reflect clarifications from the ULDD Addendum, including the delivery instructions provided in Bulletin 2014-18 for ULDD Data Point *Appraiser License Identifier* (Sort ID 525). We have separated the instructions for delivery of the appraiser supervisor's identifier, and provided such instruction in ULDD Data Point *Appraiser License Identifier* (Sort ID 534, for Party Role Type "Appraiser Supervisor").

The delivery instructions for ULDD Data Point *Appraiser License Identifier* (Sort IDs 525 and 534) are consistent with those provided in the Uniform Appraisal Dataset (UAD) *Appendix D, Field-Specific Standardization Requirements*.

Additionally, we have updated version references to Appendix A and the ULDD Addendum in Section 17.3, *Organization of Delivery Instructions for ULDD Data Points*.

ADDITIONAL GUIDE UPDATES

Glossary definition for "First-Time Homebuyer"

We are updating the Glossary definition for "First-Time Homebuyer" to align with the delivery instructions for the ULDD Data Point *Borrower First Time Homebuyer Indicator* (Sort ID 597) when there is a Living Trust Borrower. The delivery instructions for this ULDD Data Point were revised with Bulletin 2014-2 to add a reference to "Underwritten Settlor."

We have also updated Exhibit 1, *Instructions for Completing the Borrower First Time Homebuyer Indicator*, to reflect the updated definition.

Subsequent Transfers of Servicing

Effective May 15, 2014

We are updating Section 4.13, *Seller/Servicer Changes that Result in Transfer of Servicing*, to reflect a change announced in Bulletin 2014-9. We extended the submission time frame from 30 days to 45 days for subsequent Transfer of Servicing requests and submission of the fully executed Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*. The additional 15 days are needed to provide Servicers with enough time, following Freddie Mac's approval, to notify Borrowers of the Transfer of Servicing, in accordance with Section 56.11, *Notice to Borrowers*, and applicable laws and regulations, including but not limited to the Real Estate Settlement Procedures Act (RESPA).

Form 1107SF, *Seller/Servicer Change Notification Form*, will be updated in the future to reflect this change.

Loan Prospector® clarification

We are amending Section 2.2.1*, Introduction to Loan Prospector®*, to clarify that Loan Prospector indicates whether a Mortgage will be eligible for purchase by Freddie Mac provided all other conditions are met.

Organization or status reporting

We are making minor updates to Section 4.11, *Changes in Seller/Servicer's Organization or Status Reporting*, to improve the readability of the section.

The Bank of New York Mellon Trust Company, N.A. address change

We are updating Directory 4 to reflect the new address for The Bank of New York Mellon Trust Company, N.A.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 1, 2, 4, 17, 23, L33, 50, 51 and 53
- Form 906
- Exhibits 1, 39 and 88
- Glossary
- Directory 4

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2014-24 (Selling and Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1424_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.

Sincerely,

Laurie Redmond
Vice President
Offerings Effectiveness

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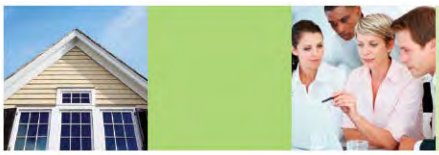

Bulletin

TO: Freddie Mac Servicers December 18, 2014 | 2014-25

SUBJECT: EXPANSION OF THE FREDDIE MAC MYCITY MODIFICATION

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin announces the expansion of the Freddie Mac MyCity Modification, previously only available in the City of Detroit, Michigan, ("City of Detroit"), to include Cook County, Illinois ("Cook County"). We are also revising MyCity Modification requirements announced in Bulletin 2014-11, including those related to eligibility, documentation, the evaluation hierarchy and processing.

The MyCity Modification is a component of the Neighborhood Stabilization Initiative, which Freddie Mac and Fannie Mae developed at the direction of the Federal Housing Finance Agency in an effort to help stabilize communities that have been hardest hit by the housing crisis.

Changes to the MyCity Modification requirements include the following:

City of Detroit and Cook County

- Servicers must proactively solicit Borrowers for the MyCity Modification once the Borrower becomes 90 or more days delinquent
- Servicers are now fully delegated to approve all eligible Borrowers within the specified geographical locations. In lieu of providing a list of zip codes, we have updated the property eligibility requirements to provide that Mortgages that are located within the City of Detroit or Cook County are eligible for the MyCity Modification.
- The expiration date for the MyCity Modification for the City of Detroit has been extended to December 1, 2016
- To align with the MyCity Modification for Cook County, property valuation requirements for the MyCity Modification for the City of Detroit have been changed from requiring that the Servicer order an exterior Broker's Price Opinion (BPO) through BPOdirect® to requiring that the Servicer order a property valuation in accordance with Guide Section B65.16, *Property Valuation Requirements*

Cook County

- Eligibility is limited to one- to four-unit single-family properties with property values equal to or less than $250,000
- Two- to four-unit properties valued over $250,000 that otherwise meet the eligibility requirements may be sent to Freddie Mac for review

EFFECTIVE DATE

Servicers must implement the requirements in this Bulletin along with any additional instructions provided by Freddie Mac pertaining to the MyCity Modification for all evaluations conducted on and after **April 1, 2015** for Borrowers whose Mortgaged Premises are located in the City of Detroit or Cook County. However, if feasible, Servicers are encouraged to implement these changes immediately.

For both the City of Detroit and Cook County, the MyCity Modification Trial Period Plan Effective Date must be no later than **December 1, 2016**.

ELIGIBILITY AND BORROWER DOCUMENTATION REQUIREMENTS

The following requirements must be met for a Mortgage to be eligible for the MyCity Modification. Modification terms are applicable in all eligible areas unless specified otherwise:

Freddie Mac MyCity Modification Requirements	
Category	**Requirements**
Borrower eligibility	The Borrower may be current or delinquent. However, if the Borrower is current or less than 60 days delinquent, the Servicer must determine that the Borrower is in imminent default in accordance with Guide Section B65.15, *Determining Imminent Default for a Freddie Mac Standard Modification.*
Property eligibility	• The Mortgaged Premises must be located in the City of Detroit or Cook County • The Mortgaged Premises may be a Primary Residence, second home or an Investment Property (i.e., owner-occupied or non-owner occupied) • The Mortgaged Premises may be occupied or vacant, but not abandoned • In Cook County, the property value must be equal to or less than $250,000. A two- to four-unit property with a property value exceeding $250,000 may be submitted to Freddie Mac for review if the Mortgage meets all other eligibility requirements and the Servicer determines the MyCity Modification is the appropriate solution.
Mortgage eligibility	The Mortgage must be a conventional First-Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac.
Exclusions	The following Mortgages are ineligible for a MyCity Modification: • FHA/VA and Section 502 GRH Mortgages • Mortgages subject to a recourse or indemnification agreement • The Borrower was previously offered but failed a MyCity Modification or Trial Period Plan In addition, Mortgages that meet any of the following criteria are ineligible for the MyCity Modification. However, if the Servicer believes a MyCity Modification is appropriate based on the Borrower's individual circumstances, the Servicer should submit a request to Freddie Mac for further review. • Mortgages in an active Trial Period Plan for another modification • Mortgages that are subject to an approved short sale or deed-in-lieu of foreclosure transaction • Except for a Freddie Mac Streamlined Modification offer, Mortgages currently subject to an unexpired offer for another modification
Delegated authority	• Unless otherwise noted, Servicers are fully delegated to perform evaluations of all cases within the specified geographical locations that meet the eligibility criteria, calculate MyCity Modification terms, and make an offer in accordance with the MyCity Modification terms • Two- to four-unit properties valued over $250,000 that otherwise meet the eligibility requirements may be sent to Freddie Mac for review • Mortgages that were originated less than 12 months prior to the evaluation date that otherwise meet the eligibility requirements must be submitted to Freddie Mac for review if the Servicer believes a MyCity Modification is appropriate based on the Borrower's individual circumstances

Freddie Mac MyCity Modification Requirements	
Category	**Requirements**
Modification terms	Servicers must complete each of the following steps in order, only to the extent necessary to achieve a payment reduction that is closest to, but not greater than, a 60% principal and interest (P&I) reduction: 1. Capitalize arrearages 2. Reduce the current interest rate on the existing Mortgage in decrements of 0.125% to a 2% interest rate floor (fixed for the life of the modified Mortgage) 3. Extend the amortization term in one-month increments up to 480 months from the Modification Effective Date 4. Forbear a portion of the unpaid principal balance (UPB) in $100 increments up to 30% of post-capitalized UPB. Note: There is no mark-to-market loan-to-value floor. If the Servicer completes all of the above steps and the modification has not achieved a 60% payment reduction, the modification must be offered to the Borrower provided the modification results in a P&I payment that is less than or equal to the pre-modification P&I payment. All Mortgages must be modified to a fully amortizing fixed-rate Mortgage. A Servicer may not modify the current Mortgage to, or maintain the current Mortgage as, an adjustable-rate Mortgage, an interest-only Mortgage, a bi-weekly Mortgage or a daily simple interest Mortgage.
Borrower documentation	If the Borrower is 90 or more days delinquent, no documentation is required. The Borrower must provide a complete Borrower Response Package if any of the following circumstances apply and are excluded from the proactive solicitation requirements provided in the "Evaluation Hierarchy" section of this Bulletin below: • The Borrower is less than 90 days delinquent as of the evaluation date (Borrowers who are current or less than 60 days delinquent must be determined to be in imminent default in accordance with the Guide), OR • The Mortgage was originated less than 12 months prior to the evaluation date, OR • The Borrower has all of the following characteristics: ➢ The Borrower was current on his or her Mortgage for each of the five months prior to the Due Date of the Last Paid Installment (DDLPI) and never made a payment after becoming delinquent, AND ➢ The Borrower has not provided a reason for default or, if quality right party contact has been made, the Borrower's reason for default is not an eligible hardship as specified under Section 65.17*, Verifying a Borrower's Hardship,* AND ➢ The Borrower's current FICO® score is 750 or greater, determined in accordance with Section B65.12.1(b), *Determining the FICO Score for Streamlined Modification Eligibility*
Incomplete Borrower Response Package	The Servicer may, but is not required to, send an Incomplete Information Notice to a Borrower who submits incomplete documentation less than 37 days prior to a scheduled foreclosure sale.

EVALUATION HIERARCHY

Borrower is current or less than 90 days delinquent

After receiving a complete Borrower Response Package, the Servicer must first evaluate the Borrower for the MyCity Modification following the requirements in this Bulletin. If the Servicer determines the Borrower is eligible for the MyCity Modification, the Servicer must send the Borrower a Trial Period Plan. All Borrowers who are eligible for the MyCity Modification must receive an offer for the modification.

If the Borrower is ineligible for the MyCity Modification or does not accept the Trial Period Plan offer, the Servicer must evaluate the Borrower for all other alternatives to foreclosure, including the Home Affordable Modification Program (HAMP) and the Standard Modification in accordance with the evaluation hierarchy in Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*.

Borrower is 90 or more days delinquent

If a Borrower is 90 or more days delinquent, and the Servicer has not received a complete Borrower Response Package, the Servicer must solicit the eligible Borrower for a MyCity Modification Trial Period Plan (in lieu of the Streamlined Modification Trial Period Plan) by no later than 15 days of the Borrower becoming 90 days delinquent. If the eligible Borrower is more than 90 days delinquent as of April 1, 2015 (or date of implementation if the Servicer implements the modification earlier), the Servicer must send at least one solicitation for a MyCity Modification Trial Period Plan no later than 15 days after the eligibility evaluation.

A Borrower who is 90 days delinquent at the time of solicitation will continue to remain eligible even if a subsequent mortgage payment results in the Borrower becoming less than 90 days delinquent following the solicitation and prior to the commencement of the Trial Period Plan.

If the Borrower is ineligible for the MyCity Modification or does not accept the Trial Period Plan offer, the Servicer must conduct an evaluation for all loss mitigation options in accordance with the Guide.

Continued proactive solicitation is subject to Servicer discretion; however, the Servicer must cease solicitation attempts at least 60 days prior to the foreclosure sale date for a judicial foreclosure and 30 days prior to the foreclosure sale date for a non-judicial foreclosure.

Servicers may leverage the Streamlined Modification Trial Period Plan Notice model clause included in Guide Exhibit 93, *Evaluation Model Clauses*, and amend the model clause to reflect the terms of the MyCity Modification and remove language in the body of the letter and in the “Frequently Asked Questions” section requiring the Borrower to return a complete Borrower Response Package to facilitate a review for a HAMP modification.

PROCESSING AND REPORTING

Workout Prospector®

Once the Servicer has approved the Borrower for a MyCity Modification, the Servicer must transmit the terms to Freddie Mac via the Standard Modification exception path in Workout Prospector. The Servicer must clearly communicate in the comments section of Workout Prospector that it has approved the Borrower for a MyCity Modification and include the following information as applicable:

- Servicer contact name, e-mail address and telephone number
- Indicate “MyCity Modification Processing Request”
- Modified interest rate (modified note rate)
- Term of modification (term of the modified note in months)
- Amount of deferred UPB (for Mortgages with partial principal forbearance)

If the Servicer is recommending that a Borrower whose Mortgage was originated less than 12 months prior to the evaluation date be considered for a MyCity Modification, the Servicer must clearly indicate the reason for the exception in the comments section of Workout Prospector.

Reporting

The Servicer must report MyCity Modification Trial Period Plan activity using default action code BF – “Standard Modification Trial Period” in accordance with the requirements in Section B65.21(a), *EDR*.

Sending an offer to the Borrower

Within 15 Business Days of determining that the Borrower is eligible for the MyCity Modification, but no later than 30 days after receiving a complete Borrower Response Package in the event one was submitted, the Servicer must send the Borrower a Trial Period Plan. Freddie Mac recommends that the Servicer send the Trial Period Plan to the Borrower via overnight or express mail.

If, after reviewing the Borrower Response Package, the Servicer denies the Borrower for the MyCity Modification, the Servicer must provide an adverse action notice to all applicable parties, in addition to any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth-in-Lending Act and other applicable law or regulation.

OTHER REQUIREMENTS

The following additional requirements apply to MyCity Modifications:

- As part of the eligibility verification process, the Servicer must order a property valuation in accordance with the requirements specified in Section B65.16, *Property Valuation Requirements*
- If the Mortgage is subject to mortgage insurance, the Servicer must obtain approval of the MyCity Modification from the MI after the Servicer determines that the Mortgage meets all of the eligibility requirements but prior to offering the Borrower a Trial Period Plan
- Except as otherwise provided in this Bulletin, Servicers must process a MyCity Modification in accordance with, and subject to, the same requirements described in Section B65.16 and Sections B65.19, *Trial Period Plan Requirements,* through B65.26, *Reporting and Remittance Requirements*, that are otherwise applicable to processing a Standard Modification
- The Servicer will be eligible to receive an incentive payment in accordance with the Standard Modification tiered payment structure described in Exhibit 96, *Servicing Incentives and Compensatory Fees*

ADDITIONAL RESOURCES

Servicers should visit the **Freddie Mac Learning Center** and the new **MyCity Modification web page** for additional reference information and resources.

REVISIONS TO THE GUIDE

The Guide will not be updated to include these requirements. Servicers should refer to this Bulletin to ensure compliance with these requirements. The requirements in this Bulletin supersede the MyCity Modification requirements previously announced in Bulletin 2014-11.

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 “Servicing.”

Sincerely,

Yvette W. Gilmore
Vice President
Servicer Performance Management