Freddie Mac
We make home possible®

# Industry Letter

**TO: Freddie Mac Sellers and Servicers** October 6, 2015

## SUBJECT: INFORMATION RELATED TO THE KNOW BEFORE YOU OWE TILA-RESPA INTEGRATED MORTGAGE DISCLOSURE RULE

At the direction of the Federal Housing Finance Agency, Freddie Mac is issuing the following guidance.

Freddie Mac recognizes that many Seller/Servicers and their partners in the mortgage industry have undertaken considerable technological and operational changes in order to meet the requirements created by the Consumer Financial Protection Bureau's Know Before You Owe Truth-in-Lending Act (TILA)-Real Estate Settlement Procedures Act (RESPA) Integrated Mortgage Disclosure Rule (i.e., "TRID Rule"), which went into effect October 3, 2015. Freddie Mac recognizes and appreciates the enormous efforts that our Seller/Servicers have made to date.

Freddie Mac is aware that some Seller/Servicers continue to address the implementation of the TRID Rule's technical requirements. In recognition of this, until further notice, Freddie Mac will not conduct routine post-purchase loan file reviews for technical compliance with the TRID Rule; however, consistent with current practices, Freddie Mac will evaluate whether the correct forms were used in connection with the origination of a Mortgage. After a transitional period, Freddie Mac will consider whether to begin such reviews for technical compliance; any such measures will be announced before being implemented.

Freddie Mac expects Seller/Servicers to make good faith efforts to comply with the TRID Rule; failure to use a TRID Rule-required form will be deemed a violation of the good faith efforts standard and will render the Mortgage subject to all contractual remedies, including repurchase.

Freddie Mac reminds Seller/Servicers that under the generally applicable provisions of *Single-Family Seller/Servicer Guide* Section 6.2(f), Freddie Mac retains the right to require a repurchase for a lender's violation of applicable law if the lender's failure to comply could be expected to impair Freddie Mac's ability to enforce the Note or Mortgage, or to impose assignee liability on Freddie Mac. However, Freddie Mac does not intend to exercise contractual remedies, including repurchase, for noncompliance with the newly-applicable provisions of the TRID Rule except in two limited circumstances: if the required form is not used; or if a particular practice would impair enforcement of the Note or the Mortgage or would result in assignee liability, and a court of law, regulator or other authoritative body has determined that such practice violates the TRID Rule.

## CONCLUSION

If you have any questions about this Industry Letter, please contact your Freddie Mac representative or call Customer Support at (800) FREDDIE.

Sincerely,

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

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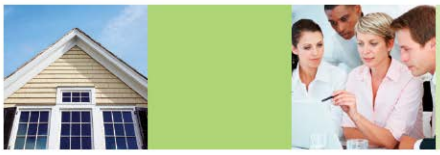

# Bulletin

**TO: Freddie Mac Sellers and Servicers** October 7, 2015 | 2015-17

## SUBJECT: SELLING REPRESENTATION AND WARRANTY FRAMEWORK – ORIGINATION DEFECTS AND REMEDIES

Freddie Mac, jointly with Fannie Mae, at the direction of the Federal Housing Finance Agency (FHFA), is pleased to announce the selling representation and warranty framework – origination defects and remedies (the "remedies framework"). The remedies framework expands upon provisions contained in the selling representation and warranty framework (introduced in *Single Family Seller/Servicer Guide* ("Guide") Bulletin 2012-18, and subsequently updated in Bulletins 2014-8 and 2014-21) specifically related to corrections of identified origination defects, and available repurchase alternatives. The remedies framework provides clarity on the process followed in categorizing origination defects, Seller corrections of such defects and available remedies. In addition, it provides more transparency regarding Freddie Mac's discretion on loan-level decisions when reviewing a Mortgage in quality control. The remedies framework does not affect any Servicing representations and warranties.

In adopting the remedies framework, we are not discharging Sellers from responsibility for underwriting and delivering investment quality Mortgages in accordance with the terms of the Purchase Documents.

## EFFECTIVE DATE

The remedies framework is effective for Mortgages with Freddie Mac Settlement Dates on and after January 1, 2016.

## BACKGROUND

While the mortgage industry has undergone significant changes in the last few years, selling representations and warranties continue to remain important by promoting liquidity and providing the necessary assurances that allow Freddie Mac to purchase Mortgages in an efficient and responsible manner without reviewing each Mortgage individually when it is sold to Freddie Mac. They also provide Freddie Mac with remedies to address situations where a Seller/Servicer's obligations to meet the requirements of its Purchase Documents have not been met.

Over the last several years, Freddie Mac and Fannie Mae, at the direction of FHFA, have worked to refine the selling representation and warranty framework. As part of this process, we have listened closely to concerns about the impact that Mortgage repurchases have had on business. We understand the need to address these concerns in ways that are mutually satisfactory to ensure that there is liquidity in the housing finance market and to provide access to credit for Borrowers. Through the introduction of the remedies framework, Freddie Mac and Fannie Mae are working to provide clarity and transparency regarding origination defects and remedies, and expect these changes will enable Seller/Servicers to manage risk more effectively.

## OVERVIEW

After completing a full-file quality control review, Freddie Mac will categorize defects in one of three ways:

- Findings
- Price-adjusted loans, and
- Significant defects

Mortgages with defects categorized as "Findings" will not require a Correction or a Remedy (as defined below) from the Seller. Loans categorized as "Price-Adjusted Loans" require the Seller to pay the applicable post-settlement delivery fee ("delivery fee") that should have been paid to Freddie Mac when the Mortgage was delivered. If a Mortgage has one or more defects categorized as a "Significant Defect," Freddie Mac will require the repurchase of the Mortgage, or may offer the Seller/Servicer a repurchase alternative.

At any time during the appeals process, the Seller/Servicer will have the right to correct any Significant Defect (as defined below) in the specified time frame and in the manner required by the Purchase Documents. If the Significant Defect is corrected in accordance with the terms of the Purchase Documents, Freddie Mac will rescind the related remedy request.

## DEFINITIONS

In support of the remedies framework, the following terms will be added to Guide Section 46.1:

- **Correction:** Action taken by the Seller/Servicer, typically through delivery of documentation or information to Freddie Mac, that demonstrates that the identified Significant Defect (i) did not, in fact, exist at the time of Mortgage purchase, or (ii) has been corrected in the time frame and manner specified in the Purchase Documents such that the Defect is no longer considered by Freddie Mac to be a Significant Defect. Examples of Corrections include, but are not limited to, De Minimis Corrections and the acquisition of required insurance.
- **Counterparty Status:** Freddie Mac's assessment of a Seller/Servicer's financial capacity which could determine which Remedy Freddie Mac will offer to a Seller/Servicer for a Mortgage with a Significant Defect
- **Defect:** A loan-level deficiency that breaches a term contained in the Purchase Documents in effect at the time of Mortgage purchase
- **De Minimis Correction:** Minor amount not to exceed $500 (or such higher amount as the Seller/Servicer and Freddie Mac may agree) that, when remitted, refunded, or otherwise provided, corrects or otherwise resolves an identified Significant Defect. A De Minimis Correction cannot be made: (a) in connection with any Mortgage where the correction would result in a specific required minimum Borrower contribution not being met; or (b) to correct a violation of the requirements set forth in the Freddie Mac Charter Act
- **Finding:** One or more Defects that, when considered with other Mortgage features, does not necessitate a change in the price of the Mortgage or result in the Mortgage being unacceptable even if the true and accurate facts about the Mortgage had been known at the time Freddie Mac acquired the Mortgage
- **Price-Adjusted Loan ("PAL"):** One or more Defects that, when considered with other Mortgage features, and based on the facts of the Mortgage as delivered to Freddie Mac, result in a Mortgage that was otherwise eligible for delivery to Freddie Mac had the correct data been delivered and postsettlement delivery fee (delivery fee) been paid to Freddie Mac by the Seller/Servicer
- **Remedy:** An action to resolve a Significant Defect elected by Freddie Mac pursuant to the Purchase Documents in effect at the time of Mortgage purchase
- **Repurchase Alternative:** Remedies other than repurchase of the identified Mortgage. Repurchase Alternatives could include, but are not limited to:

| Performing Loans | Non-Performing Loans |
|---|---|
| Recourse/repurchase agreement | Make-whole payment |
| Indemnification agreement | Split loss |
| Mortgage insurance stand-in agreement | Loss reimbursement |
| Collateralized indemnification agreements (collateral in lieu of repurchase or collateralized recourse) | |

- **Significant Defect:** One or more Defects that either necessitate a change to the price on which the Mortgage was acquired or result in the Mortgage being unacceptable for purchase had the true and accurate information about the Mortgage been known at time of purchase. Mortgages with Findings and PALs are not Mortgages with Significant Defects.

  In determining whether there is a Significant Defect, Freddie Mac must give due consideration to the severity of the Defect. In addition, in order to be a Significant Defect, the Defect must relate to one of the following:

  (a) The underwriting of the Borrower's creditworthiness and capacity (e.g., Borrower's income, Borrower credit/liabilities, and Borrower assets) or Borrower eligibility and qualification (e.g., area median income, First-Time Homebuyer, lawful presence in the United States

  (b) The underwriting criteria related to property or project eligibility (e.g., residential use and condo eligibility), the property appraisal, or the physical condition of the property

  (c) Mortgage or product terms and criteria (e.g., products that may require special lender approval as a prerequisite for delivery and the criteria described in the Purchase Documents such as loan-to-value (LTV) ratio, occupancy, credit score, loan purpose, and loan product and terms such as ineligible transaction types and limitations on cash out to the Borrower that determines the type of refinance) or any terms and criteria set forth in any negotiated provision)

  (d) A life-of-loan representation and warranty (as described in Section 6.14(c))

  (e) Requirements applicable at time of Mortgage purchase (e.g., no defaults, all taxes and insurances have been paid or escrows established and no modification, encumbrance, subordination or release of Mortgage)

  (f) The warranties and obligations of Seller/Servicer regarding the Freddie Mac Exclusionary List or the FHFA Suspended Counterparty Program

  (g) The existence, sufficiency or enforceability of any required insurance or guaranty, or

  (h) The form and/or execution of Freddie Mac required Mortgage documents that without which make the Mortgage ineligible for sale or limit the enforceability of the required Mortgage terms (e.g., Uniform Residential Loan Application, power of attorney, Texas 50(a)(6) Mortgage documents or nonstandard and special purpose documents, such as Living Trusts)

## PROCESS FOR REMEDYING ORIGINATION DEFECTS

The steps described below provide an overview of the process developed in support of the remedies framework that Freddie Mac will follow to categorize Defects, allow Corrections of Defects and remedy Defects through either a repurchase request or Repurchase Alternative.

### Step 1 – Identification of Findings, PALs and Significant Defects

After a full-file quality control review is completed, Freddie Mac will designate any Defect(s) as resulting in a Finding, PAL or Significant Defect. The scope of full-file quality control reviews is the same for performing loans and non-performing loans.

If Freddie Mac designates the Defect as resulting in a Finding, Freddie Mac will not require a Correction or a Remedy from the Seller/Servicer. However, Freddie Mac may request a data update from the Seller/Servicer.

If Freddie Mac designates the Defect as resulting in a PAL, the Seller/Servicer must pay to Freddie Mac the applicable delivery fee that should have been paid when the Mortgage was purchased by Freddie Mac had the true and accurate facts about the Mortgage been known at the time of purchase. Freddie Mac may not demand repurchase of a PAL and the Seller/Servicer may not voluntarily repurchase a PAL.

If Freddie Mac identifies a Significant Defect, it will require repurchase of the Mortgage or may offer the Seller/Servicer a Repurchase Alternative.

Freddie Mac also checks for data discrepancies (which could be independent of a full-file quality control review) that may result in the assessment of a delivery fee.

## Step 2 – Correcting certain Significant Defects

During the appeals process described in Section 72.6, a Seller/Servicer has the right to provide a Correction of any Significant Defects. Any additional documentation or information that the Seller/Servicer provides is subject to the same standard of quality control review as the initial Mortgage file documentation.

The documentation submitted to correct a Significant Defect must be based on information or data that either:

- Was available at the time of underwriting (and no later than the Note Date), or
- Covers the time of underwriting so long as such evidence meets the applicable documentation requirements set forth in the Purchase Documents

Seller/Servicers have the ability to correct Defects during the appeals process related to property, flood or mortgage insurance.

If a Seller/Servicer does not repurchase the loan or perform any Repurchase Alternative in accordance with the Purchase Documents, such Seller/Servicer continues to have the obligation to correct any Significant Defect in accordance with the Purchase Documents.

## Step 3 – Freddie Mac review of Seller response and Mortgage reassessment

During the appeals process described in Section 72.6, Freddie Mac will conduct a Mortgage reassessment by reviewing any Corrections submitted by the Seller/Servicer in accordance with the applicable Purchase Documents in order to determine whether a Significant Defect still exists.

If a Seller/Servicer submits additional documentation and/or information, or takes steps which correct all Significant Defects in accordance with the Purchase Documents, Freddie Mac will rescind the Remedy request.

If, following reassessment, all Significant Defects have not been corrected in accordance with the Purchase Documents; the Seller must comply with the Remedy request in a timely manner.

If, following reassessment, Freddie Mac determines that the Mortgage is a PAL, the Seller/Servicer must pay Freddie Mac the delivery fee that should have been paid when the Mortgage was purchased by Freddie Mac had the true and accurate facts about the Mortgage been known at the time of purchase.

Freddie Mac may consider a Mortgage with a Significant Defect for a Repurchase Alternative depending on Freddie Mac's commercially reasonable determination that the Mortgage is retainable. Freddie Mac will determine whether the Mortgage is retainable based on the Seller/Servicer's Counterparty Status and whether the Mortgage was an acceptable investment at the time of purchase.

If a Repurchase Alternative is offered on a Mortgage with a Significant Defect, the Seller/Servicer can conclude that a full-file quality control review has been completed. However, if a Repurchase Alternative is offered on a Mortgage where a Seller/Servicer self-reports a Defect, the Seller/Servicer cannot conclude that a full-file quality control review has occurred nor is representation and warranty relief granted.

At any time during the appeals process, a Seller/Servicer has the right to propose a Repurchase Alternative following the identification of a Significant Defect. Freddie Mac will in good faith consider and respond to the Seller/Servicer's proposed Repurchase Alternative.

Freddie Mac may offer, or decline to offer, the Seller/Servicer certain Repurchase Alternatives based on the Seller/Servicer's Counterparty Status to the extent there are future obligations required as part of the Repurchase Alternative. Other factors to be considered by Freddie Mac may include, but are not limited to, the failure to maintain a quality loan origination process and the Seller's ability and willingness to comply with other provisions of the Purchase Documents.

If a Mortgage has multiple Significant Defects, and the Seller/Servicer is successful in correcting some, but not all of the Significant Defects, Freddie Mac may continue to pursue repurchase as a Remedy if the Mortgage has Significant Defects after the Mortgage reassessment is complete. If a Mortgage has multiple Significant Defects and the Seller/Servicer is successful in correcting all of them, but there remains a defect that makes the Mortgage a PAL after reassessment, Freddie Mac may subsequently notify the Seller/Servicer of the delivery fee that remains due.

### Step 4 – Range of possible outcomes

***Finding***

If the Mortgage has had a full-file quality control review completed with only Findings discovered, the Mortgage will receive selling representation and warranty relief, subject to Section 6.14 ("representation and warranty relief"). If a Mortgage has not had a full-file quality control review, it may still receive representation and warranty relief through other provisions under the representation and warranty framework described in Section 6.14.

***PAL***

The appeals process for a PAL will result in one of the following outcomes:

- Rescission of the request for the payment of the delivery fee, or
- Payment of the delivery fee

If the PAL has had a full-file quality control review completed without the identification of any Significant Defects, the Mortgage will receive representation and warranty relief when the Seller/Servicer pays the delivery fee. Mortgages that have not had a full-file quality control review will not receive representation and warranty relief, even upon the payment of a delivery fee, but may still receive relief through other provisions under the representation and warranty framework.

***Significant Defects***

The appeals process for Mortgages with Significant Defects may result in a range of outcomes, including:

- Rescission of the Remedy request
- Agreement on a Repurchase Alternative, or
- Fulfillment of the Remedy request

If Freddie Mac offers a Repurchase Alternative after a repurchase demand has been issued, the Seller/Servicer has the option to repurchase the Mortgage instead of accepting the Repurchase Alternative.

If a Mortgage with a Significant Defect has had a full-file quality control review, it will receive representation and warranty relief if (i) all Significant Defects have been corrected, or (ii) a Repurchase Alternative has been offered and accepted and fully executed and completed by the Seller/Servicer in compliance with any related terms, including the expiration of all applicable time frames.

## TOOLS TO SUPPORT THE SELLING REPRESENTATION AND WARRANTY FRAMEWORK

As a reminder, **Quality Control Information Manager (QCIM)** provides Seller/Servicers with a single online end-to-end solution to manage performing and non-performing Mortgages through the quality control process. With QCIM, Seller/Servicers have direct and timely access to the status of quality control loan file requests and all Freddie Mac repurchase and other remedy requests, including appeals. Freddie Mac's repurchase letters will continue to detail the specific significant defects found during the quality control review, which will assist Sellers in preparing a detailed response. Additionally, Seller/Servicers can use **Freddie Mac Loan Coverage Advisor® (LCVA℠)** to calculate and track the representation and warranty relief date for any Mortgage sold to Freddie Mac.

## REVISIONS TO THE GUIDE

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

- 46.1, *Postfunding Quality Control*
- 72.1, *Repurchases Required by Freddie Mac Due to Violations of Selling and Origination Representations and Warranties*
- 72.2, *Repurchases Requested by the Seller/Servicer*

- 72.6, *Appealing a Repurchase Request Due to Violations of Selling and Origination Representations and Warranties*

## CONCLUSION

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

Sincerely,

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

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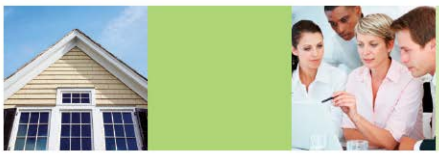

# Bulletin

**TO: Freddie Mac Servicers** | October 14, 2015 | 2015-18

## SUBJECT: SERVICING UPDATES

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

**State foreclosure time lines and compensatory fees**

- Increased State foreclosure time lines in 34 jurisdictions
- Extension of the temporary suspension of the assessment and billing of State foreclosure time line compensatory fees announced in Bulletin 2014-19
- Adjustments to the State foreclosure time line compensatory fee billing methodology for Mortgages referred to foreclosure prior to October 1, 2011 **– January 1, 2016**

**Mortgage modifications**

- Updates to our notification requirements for the Home Affordable Modification Program (HAMP®) Year Six "Pay for Performance" incentive
- Expansion of our simultaneous assumption and modification options to include all eligible hardships
- Updates in response to the Freddie Mac Streamlined and MyCity Modification eligibility change announced in Bulletin 2015-15 **– March 1, 2016**

**Lender-Placed Insurance**

- A deductible requirement for Lender-Placed Insurance policies – **July 1, 2016 (New)**

**Reimbursement**

- A revision to our mortgage insurance premium reimbursement requirements – **January 1, 2016**
- Updates to our bankruptcy attorney fee reimbursement limits – **December 1, 2015**

## EFFECTIVE DATE

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

## STATE FORECLOSURE TIME LINES AND COMPENSATORY FEES

As announced in our Single-Family News Center article dated September 3, 2015, we are increasing State foreclosure time lines in certain jurisdictions and extending the temporary suspension of the assessment and billing of State foreclosure time line compensatory fees announced in Bulletin 2014-19.

Additionally, we are adjusting our State foreclosure time line performance assessment.

### State foreclosure time lines

**Effective for all foreclosure sales completed on or after August 1, 2015**

At the direction of the Federal Housing Finance Agency (FHFA) and in response to our periodic review, Freddie Mac and Fannie Mae are increasing the State foreclosure time lines in 34 of the 55 jurisdictions listed in Guide Exhibit 83.

Based on the data collected from foreclosure sales during the first half of 2015, we have determined that the State foreclosure time lines will remain unchanged in the following 16 jurisdictions: Alabama, Guam, Indiana, Iowa, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, North Dakota, Ohio, South Carolina, Utah, Virgin Islands and Virginia.

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

Guide impact: Exhibit 83

## Extension of the temporary suspension of the assessment of compensatory fees

At the direction of FHFA, Freddie Mac and Fannie Mae are extending the temporary suspension of the assessment and billing of State foreclosure time line compensatory fees announced in Bulletin 2014-19 in the following jurisdictions:

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

As a result of a review of foreclosure time line performance data from foreclosure sales occurring between January 1, 2015 and June 30, 2015 we have determined the temporary suspension will continue, at a minimum, for foreclosure sales occurring on or before **December 31, 2015**. At the completion of the State suspension, we will review and update our published State foreclosure time lines in the respective jurisdictions based on the data collected from foreclosure sales completed during the suspension period.

## Adjustments to State foreclosure time line performance assessment

### Effective for all foreclosure time line compensatory fees on foreclosure sales completed on or after January 1, 2016

In an effort to create operational efficiencies for Servicers, we will adjust the State foreclosure time line compensatory fee billing methodology for Mortgages referred to foreclosure prior to October 1, 2011 to align with the methodology applied for Mortgages referred to foreclosure on or after October 1, 2011.

#### *Current requirements*

For Mortgages referred to foreclosure prior to October 1, 2011, Freddie Mac annually assesses Servicers a $30 compensatory fee for each day that a Servicer exceeds Freddie Mac's State foreclosure time lines.

#### *Revised requirements*

For Mortgages referred to foreclosure prior to October 1, 2011, the following changes will apply to the billing of State foreclosure time line compensatory fees for foreclosure sales occurring on or after January 1, 2016:

- All Mortgages subject to State foreclosure time line compensatory fees will be billed on a monthly basis regardless of the foreclosure referral date
- Aggregate monthly compensatory fee netting will be done on an intra-State basis
- In an effort to avoid a potential negative impact to our Servicers, the daily compensatory fee will be assessed by using the lesser of either:
  - $30 per day; or
  - The outcome of the current per diem calculation used for Mortgages referred to foreclosure on or after October 1, 2011:

$$\left[\frac{(Unpaid\ Principal\ Balance\ (UPB) \times Accounting\ Net\ Yield\ (ANY))}{365\ days}\right]$$

We are not making any changes to the calculation or billing processes for Mortgages referred to foreclosure on or after October 1, 2011.

Guide impacts: Guide Section 66.44.2 and Exhibits 83A and 96

## MORTGAGE MODIFICATIONS

### HAMP Year Six Pay for Performance incentive notification

We are updating our Borrower notification requirements for the HAMP Year Six Pay for Performance incentive to provide additional flexibility for Servicers that wish to begin soliciting potentially eligible Borrowers earlier than the 150th day prior to the fifth anniversary of the HAMP Modification Effective Date.

With this change, the Servicer is no longer required to wait until the 150th day prior to the fifth anniversary of the HAMP Modification Effective Date to send the required notification to a potentially eligible Borrower. If the Servicer chooses to begin solicitations earlier than required, it is authorized to send a single notice or multiple notices at its discretion, at any time leading up to the 150th day prior to the fifth anniversary of the HAMP Modification Effective Date. If the Borrower responds to the Servicer's notice(s) by submitting an executed Guide Form 720 or Dodd-Frank Certification (DFC), then the Servicer is not required to send any additional notifications concerning the HAMP Year Six Pay for Performance incentive to the Borrower. However, if by the 150th day before the fifth anniversary of the HAMP Modification Effective Date an executed Form 720 or DFC has not been received, the Servicer must take the following actions:

| If at least one incentive notification… | Then the Servicer must provide… |
|---|---|
| **Has been sent** | At least one additional notice no later than 60 days prior to the fifth anniversary of the HAMP Modification Effective Date |
| **Has not been sent** | At least two written notices as early as the 150th day and no later than the 60th day prior to the fifth anniversary of the HAMP Modification Effective Date.<br><br>NOTE: These two written notices, if applicable, must be sent at least 30 days apart. |

Guide impact: Section C65.9

Also, as a reminder, the Servicer may, but is not required to, include Form 720 when mailing the Home Affordable Modification Agreement to the Borrower when converting the Borrower to a permanent modification as part of the HAMP modification process, in accordance with Section C65.7(d). To emphasize this point, we have also added this guidance to Section C65.9.

### Simultaneous assumption and modification

Previous Guide requirements limit simultaneous assumptions and modifications to situations where all Borrowers on the Note are deceased.

Recent Servicer feedback has informed us of situations in which:

- All Borrowers on the Note are experiencing eligible hardships and unable to continue to meet their Mortgage obligations and
- The Borrowers have identified persons with a legal or beneficial interest in the Mortgaged Premises who, with a modification of the terms, could assume the Mortgage and continue to make the monthly mortgage payment or a modified monthly mortgage payment

In response to this feedback, we are updating and expanding the options for a simultaneous assumption and modification to include all eligible hardships. Servicers should refer to Section B65.28 for full simultaneous assumption and modification requirements.

Guide impact: Section B65.28

### Freddie Mac Streamlined and MyCity Modification eligibility

**Effective March 1, 2016**

In Bulletin 2015-15, we announced the expansion of our eligibility requirements for a Streamlined or MyCity Modification to a Mortgage/Borrower, which had required, among other things, an evaluation of a Borrower's FICO® score. Subsection B65.12.1(b) sets forth Servicer requirements for determining the FICO score for Streamlined and MyCity Modification eligibility. With the elimination of the FICO score evaluation requirement, we are also deleting subsection B65.12.1(b), effective March 1, 2016.

Guide impact: Section B65.12.1

## LENDER-PLACED INSURANCE POLICY DEDUCTIBLES

**The requirements below are effective for new Lender-Placed Insurance (LPI) policies issued and LPI policies renewing with an effective date on and after July 1, 2016; however, Servicers are encouraged to implement them immediately.**

FHFA has directed Freddie Mac and Fannie Mae to reduce expenditures related to LPI. As a result, Freddie Mac will require deductibles for LPI polices which will be based on the policy's dwelling coverage amount, as shown below:

| Dwelling coverage | Deductible |
|---|---|
| Less than $100,000 | $1,000 |
| $100,000 up to and including $250,000 | $2,000 |
| Greater than $250,000 | $2,500 |

These new deductible requirements impact only LPI policies as described in Section 58.12.

Guide impact: Section 58.12

## REIMBURSEMENT

### Mortgage insurance premiums

**Effective January 1, 2016**

In response to Servicer inquiries, we are revising our mortgage insurance reimbursement requirements.

***Current requirements***

Section 71.15 states the mortgage insurance premiums ***paid*** after the Due Date of the Last Paid Installment (DDLPI) and before the Real Estate Owned (REO) acquisition date are reimbursable.

***Revised requirements***

We are updating Section 71.15 to state that mortgage insurance premiums ***incurred*** after the DDLPI and before the REO acquisition date are reimbursable. This revised language more accurately reflects the period within which the Servicer is obligated to advance mortgage insurance premiums as a mortgage insurance premium is incurred once the MI has provided the corresponding coverage.

Guide impact: Section 71.15

***Reminder***

Servicers seeking reimbursement for mortgage insurance premiums are subject to the claim submission time frames outlined in Section 71.13.

### Bankruptcy attorney fees

**Effective December 1, 2015**

Effective December 1, 2015, Federal Rule of Bankruptcy Procedure 3001 requires a Mortgage Proof of Claim Attachment (Official Form 410A), which sets forth a statement itemizing interest, fees, expenses and charges in the claim and/or the amount necessary to cure any default, to be filed with the Proof of Claim (Official Form B410) if a security interest is claimed in property that is the debtor's principal residence.

As a result, Freddie Mac is updating the approved attorney fee amount for which we will reimburse Servicers for certain bankruptcy services. If Official Form 410A must be filed with Official Form B410, Servicers can be reimbursed up to an additional $300 for the following 104SF bankruptcy expense codes:

- 011014 (Chapter 7 – Proof of Claim Preparation) (from $300 to $600)
- 011018 (Chapter 11 – Proof of Claim, Plan Review and Plan Negotiations) (from $750 to $1,050)
- 011029 (Chapter 12 – Proof of Claim, Plan Review and Plan Negotiations) (from $750 to $1,050)
- 011040 (Chapter 13 – Proof of Claim, Plan Review and Plan Negotiations) (from $650 to $950)

Until the Freddie Mac Reimbursement System can be updated accordingly, Servicers must obtain Freddie Mac's written pre-approval for the additional reimbursement by submitting a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System for the above listed bankruptcy expense codes.

Guide impacts: Section 67.7 and Exhibit 57A

## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-18 (Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1518_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

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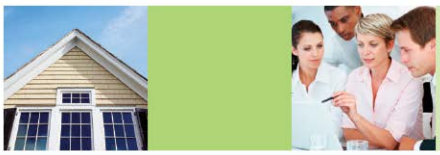

# Bulletin

**TO: Freddie Mac Sellers and Servicers** October 28, 2015 | 2015-19

## SUBJECT: SELLING AND SERVICING UPDATES

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

**Information security and business continuity planning**

- Minimum standards for information security programs and business continuity plan governance requirements **– May 2, 2016 (New)**

**Risk notification and reporting**

- Updates to our immediate notification and reporting requirements for a scheme or pattern of fraud or other Suspicious Activity
- Revisions to our requirements for the Freddie Mac Exclusionary List and Federal Housing Finance Agency's Suspended Counterparty Program list
- A new e-mail address for Servicers to report an Office of Foreign Assets Control violation to Freddie Mac

**Guide reorganization preview**

- The upcoming reorganization of the Guide, including a limited preview of the reorganized Guide at **http://www.allregs.com/tpl/public/fhlmc_preview_tll.aspx (New)**

**Freddie Mac contact information**

- Updates to various Freddie Mac mailing addresses and additional contact information

**Additional Guide updates**

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

## EFFECTIVE DATE

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

## INFORMATION SECURITY AND BUSINESS CONTINUITY PLANNING

**Effective May 2, 2016**

### Overview

Currently, the Guide provides requirements applicable to specific types of Electronic Transactions (defined in Guide Section 3.2) that Seller/Servicers are permitted to engage in or conduct with Freddie Mac that include adoption of minimum security standards. The Guide also requires that Servicers have and maintain a business continuity plan to ensure their ongoing ability to conduct business operations with us.

As a result of the increasing risks of technological failures and threats to overall security due to natural disasters and other adverse events, Freddie Mac is announcing minimum standards for information security programs and business continuity plan governance requirements for Seller/Servicers. A Seller/Servicer must ensure that its Third Party Providers (defined in Section 3.3.3), and Outsourced Vendors (defined in Section 51.4) meet the information security requirements of Section A6.2.

Freddie Mac's standards are minimum standards. Seller/Servicers should consider and implement additional controls and requirements to align with a Seller/Servicer's risk tolerance and risk management policies.

In addition, if a Seller/Servicer's regulator has established information security and/or business continuity plan requirements that exceed Freddie Mac's minimum requirements, then the more rigorous requirements shall apply.

The Federal Financial Institutions Examination Council (FFIEC) provides detailed guidance on its public **web site** on the components of a successful information security program, business continuity plan and related activities. Seller/Servicers are strongly encouraged to review this guidance.

Guide impacts: New Guide Chapter A6, Sections A1.9, 3.3.2, 3.3.3, 4.2, 6.2, 51.3, 51.4, 53.8, C65.17, 66.33, 66.44.2 and 71.5 and Directory 8

## Information security

To reduce the impact and likelihood of unauthorized persons (or authorized person(s) with malicious or unlawful intentions) from gaining access to Freddie Mac's proprietary information, data and consumer personal non-public information, effective May 2, 2016, Seller/Servicers must have an information security program that meets the minimum requirements provided in new Section A6.2. The information security program requirements include, but are not limited to:

- Maintaining written information security policies and procedures
- Conducting pre-employment screening
- Conducting information security awareness education and training
- Implementing physical and environmental security controls
- Establishing data encryption and access controls, including granting and removing access
- Implementing a vendor risk management program

If a provision of the Guide or Seller/Servicer's other Purchase Documents require more stringent minimum information security requirements, then the Seller/Servicer must adhere to those more stringent requirements.

## Business continuity planning

Pursuant to Section 51.3, a Servicer warrants that it has a business continuity plan (BCP) in place to support its ongoing ability to conduct business operations and maintain or restore Freddie Mac Mortgage files and records in the event of a disaster or other interruption to business operations and processes.

Sellers engage in eligible Electronic Transactions with Freddie Mac and their systems must be able to support those transactions; therefore we are now applying BCP requirements to both our Sellers and Servicers.

Effective May 2, 2016, all Seller/Servicers must have a written BCP in place to support their ongoing ability to conduct business operations with Freddie Mac.

At a minimum, the Seller/Servicer must meet the requirements in new Section A6.3, which include:

- Establishing and maintaining a written business continuity policy and plan, approved by management, that addresses potential local and regional disruptions and is reviewed and updated annually
- Establishing a governing body or committee to provide guidance for the Seller/Servicer's BCP
- At least annually, conducting:
  - A business impact analysis of the organization
  - A test of the Seller/Servicer's BCP. This includes recovering predefined critical business functions.
- At least once every two years, conducting a formal risk and threat assessment of the organization, or more frequently after significant changes to business operations
- Establishing a formal crisis management team, which is responsible for declaring the event a crisis; establishing and implementing a documented crisis management plan; and developing a plan for activating the crisis management team
- Reviewing and updating the crisis management plan at least annually

### Guide Form 16SF updates

Form 16SF will be updated in December 2015 to include both information security and BCP questions that are initially for Freddie Mac's information only. Seller/Servicers will certify information security and BCP compliance for Form 16SF submissions that relate to periods (or fiscal years) ending after April 30, 2016. Seller/Servicers will be notified when the update is implemented.

## RISK NOTIFICATION AND REPORTING

### Fraud and other Suspicious Activity

In response to current market conditions, we are updating our immediate notification and reporting requirements for a scheme or pattern of fraud or other Suspicious Activity. We are decreasing the thresholds for immediate notification from a scheme or pattern of more than 25 Mortgages and/or an unpaid principal balance (UPB) of $2.5 million to a scheme or pattern of five Mortgages and/or a UPB of $1 million.

In addition, we are removing the overview sections of Chapters 7 and 57 to align the format of those chapters with other Guide chapters.

Guide impacts: Sections 7.1, 7.3, 57.1 and 57.3

### Exclusionary List and FHFA's Suspended Counterparty Program

#### *Screening requirements*

To streamline our Exclusionary List and FHFA's Suspended Counterparty Program (SCP) list screening requirements, we are:

- Changing the time at which Sellers must screen names against the Exclusionary List from the Mortgage Delivery Date to the Note Date
- Reducing the scope of the parties involved in a Mortgage that Servicers must screen against the Exclusionary List
- Clarifying Freddie Mac's expectations with respect to Seller/Servicer's assistance in compliance with FHFA's SCP, including moving such requirements from Section 2.24 to new Section 2.28 to distinguish SCP screening requirements from Exclusionary List screening requirements

Seller/Servicers should review Sections 2.24 and 2.28 in their entirety to ensure compliance with our Exclusionary List and SCP list requirements. As a reminder, Seller/Servicers must periodically review FHFA's publicly available SCP list to comply with Section 2.28.

#### *Confidential use of the Exclusionary List*

We are clarifying that Freddie Mac's Financial Instrument Fraud and Anti-Money Laundering Officer must provide prior express written authorization for a Seller/Servicer to share the Exclusionary List with certain parties.

Guide impacts: Sections 2.16, 2.24, 2.28, 6.2, 44.3, 46.1, 53.8 and 53.14

### Office of Foreign Assets Control violation

Section 53.8(c) requires Servicers to periodically screen Mortgages they service for Freddie Mac against the Office of Foreign Assets Control's list of Specially Designated Nationals and Blocked Persons ("OFAC SDN List") and notify Freddie Mac via e-mail of a valid match.

To facilitate prompt response to a Servicer notification of a match to the OFAC SDN List, we are creating a new e-mail mailbox to be used solely for this purpose.

Servicers must now notify us of an OFAC SDN List match via e-mail at **aml_ofac_governance@freddiemac.com**.

As a reminder, Section 6.2(d) requires Sellers to screen each Borrower against the OFAC SDN List prior to delivering a Mortgage for sale to Freddie Mac. If a Borrower is on the OFAC SDN List, the Mortgage is ineligible for sale to Freddie Mac.

Guide impact: Directory 1

## GUIDE REORGANIZATION PREVIEW

### Overview

We are reorganizing the Guide into topic groups to make it easier for Seller/Servicers to do business with Freddie Mac. We have incorporated Seller/Servicers' recommendations for improving the organizational structure of the Guide. The redesigned Guide is more intuitive for Seller/Servicer workflow so Seller/Servicers can navigate to content they need more quickly and efficiently. This reorganized Guide, which will become effective in March 2016, does not introduce new requirements nor change existing requirements. Information about the Guide reorganization is also provided in our **Single-Family News Center article**.

### Guide table of contents preview and preliminary mapping document

Today, we are providing a preview of the reorganized Guide table of contents (TOC) together with a spreadsheet showing where the Guide content currently exists and where it will be located in the reorganized Guide ("Preliminary Guide Reorganization Mapping document") on a preview site at **http://www.allregs.com/tpl/public/fhlmc_preview_tll.aspx**.

The TOC preview shows the layout of the reorganized Guide. The reorganized Guide layout breaks up our current Guide content into three segments. The **Freddie Mac – Seller/Servicer Relationship** segment will contain content applicable to both Sellers and Servicers, and/or provisions that pertain to the Seller/Servicer contract with us in general. Content critical for daily workflow (at the loan-level), will be relocated in the **Selling** and/or **Servicing** segments, as applicable.

Within the three segments, the content is split into nine series:

- Series 1000, *General Contract Terms*
- Series 2000, *Doing Business with Freddie Mac*
- Series 3000, *Risk Management and Remedies*
- Series 4000, *Mortgage Eligibility*
- Series 5000, *Origination and Underwriting*
- Series 6000, *Selling and Delivery*
- Series 7000, *Transfers of Servicing*
- Series 8000, *Servicing All Mortgages*
- Series 9000, *Servicing Default Management*

Within each series, the content is grouped with like topics.

We are applying a modified numbering scheme (XXXX.XX) to help Seller/Servicers navigate the Guide. The first number represents the series, the second number represents the topic, the third and fourth numbers represent the chapter and any number after the decimal point represents the section.

For example, in Section 9201.2:

- **9**201.2 – Nine indicates Series 9000, *Servicing Default Management*
- 9**2**01.2 – The first two represents Topic 9200, *Loss Mitigation*
- 92**01**.2 – One represents that it is Chapter 9201, *Freddie Mac Loss Mitigation Evaluation Hierarchy and Performance Standards*
- 9201.**2** – The two after the decimal point represents that it is Section 9201.2, *Freddie Mac Loss Mitigation Evaluation Hierarchy*

We encourage Seller/Servicers to click through the preview TOC and review the **Preliminary Guide Reorganization Mapping document** to familiarize themselves with the new layout. Changes to the current Guide layout will impact Guide references in other Purchase Documents, which will be updated in the future.

In early 2016, the preview site will be updated to include all reorganized Guide content in addition to the TOC. In March 2016, the reorganized Guide will become the official authoritative version of the Guide. We will provide more information on the Guide reorganization in future communications.

## FREDDIE MAC CONTACT INFORMATION

We no longer have mailstops with our mailing addresses and are therefore updating the Guide to remove all references to mailstops. In addition, we are updating our contact information to, among other things:

- Update Directory 1 to change our mailing address and additional contact information for Servicer submission of Custodial Account documentation and information, including Forms 1057SF, 1058SF, 1059SF and 1060SF, as provided in Sections 77.12 and 79.14
- Change our mailing address information for Seller submission of Forms 483, 987, 987E, 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF, 990SF, 990ASF to: 1551 Park Run Drive, McLean, VA 22102-3110, Attn: Customer System Access
- Change our e-mail address for Seller/Servicer submission of Form 1034T to: **TOS@freddiemac.com**
- Correct the e-mail address for Servicer submission of Forms 903, 903A, 903SA and 903ASA to: **Servicing_Loans_application@freddiemac.com**
- Add the following attention line for Seller/Servicer submission of Form 1132: Attn: Freddie Mac Accounts Receivable and Data Change
- Update certain Freddie Mac department names in Directories 1 and 2

Guide impacts: Sections 11.20, 16.11, B65.41, B65.48 and 77.31, Forms 483, 903, 903SA, 987, 987E, 988SF-1, 988SF-2, 988ASF, 989SF, 989ASF, 990SF, 990ASF, 996, 996E, 1034T, 1065, 1065A, 1100 and 1132, Guide Exhibit 98 and Directories 1, 2, 3, 5, 7, 8 and 9

## ADDITIONAL GUIDE UPDATES

### Document Custodian updates to Form 16SF

The Document Custodian section of Form 16SF will be revised in December 2015 to remove outdated information and include all Document Custodian relationships with their applicable agreement number.

Seller/Servicers will be notified when Form 16SF is updated to reflect the Document Custodian changes.

### Purchase Documents Glossary definition

We are updating the Glossary definition of Purchase Documents to include additional terms applicable to Servicing that we may provide to Servicers through electronic means.

Guide impact: Glossary

### Guide Snapshot PDF

For Seller/Servicer convenience, we have recently published the **September 16, 2015 Guide Snapshot PDF**, which includes two comprehensive files:

- A portable document format (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 June 30, 2015, the date of the last Guide Snapshot PDF
- A PDF file containing all of the Bulletins issued from July through September 2015

## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-19 (Selling and Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1519_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,

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

Freddie Mac

Bulletin

**TO: Freddie Mac Sellers** December 2, 2015 | 2015-20

## SUBJECT: SELLING UPDATES

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

**Mortgage eligibility and credit underwriting – December 14, 2015**

- Updates to our requirements for certain asset types eligible as Borrower Funds and reserves
- Updates to our requirements for Mortgages with nonoccupying Borrowers

**Loan limits**

- Updates to the Guide to reflect the 2016 loan limits – **January 1, 2016**

In addition to the changes listed above, 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

**Effective for Mortgages with Settlement Dates on or after December 14, 2015**

### Borrower Funds and reserves

In response to Seller requests, we have evaluated our requirements for certain asset types eligible as Borrower Funds and reserves and are making the following updates:

- No longer requiring evidence of liquidation of stocks, bonds, mutual funds, United States government securities and other securities when the combined value of the assets is at least 20% greater than the amount from these assets needed for closing
- Removing the limitation that no more than 70% of the value of a retirement account can be used for reserves
- Adding vested stock options, subject to minimum documentation requirements, as an eligible source of Borrower Funds and reserves

Loan Prospector® feedback messages will be updated by December 14, 2015 to reflect these changes.

Guide impacts: Guide Sections A24.3, B24.3, 26.1, 26.2, 26.5, 37.22 and 37.23

### Occupant Borrower contribution

We are removing the requirement for a minimum 5% down payment from occupant Borrower funds when the loan-to-value (LTV) ratio is greater than 80% and a nonoccupying Borrower is present. As a result, Section 26.7 has been deleted.

Section 22.16 has been updated to state that Borrower Funds (including the down payment) and reserves may come from the occupant and/or the nonoccupant Borrower.

Loan Prospector feedback messages will be updated by December 14, 2015 to reflect these changes.

Guide impacts: Sections 22.16, 26.7 and 37.25

## LOAN LIMITS

**Effective for Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2016**

As announced in our November 25, 2015 **Single-Family News Center article**, base conforming loan limits and high-cost area loan limits will remain at existing 2015 levels with the exception of 39 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**.

For Mortgages with Freddie Mac Funding or Settlement Dates on or after January 1, 2016, 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 2016 loan limits permitted for a specific county. FHFA makes this information available on its **web site**.

Guide impacts: Sections 23.3 and L33.2

## ADDITIONAL GUIDE UPDATES AND REMINDERS

### Private transfer fee covenants reminder

As a reminder, as stated in Section 22.36, Mortgages on properties encumbered by private fee transfer covenants prohibited by 12 C.F.R. Part 1228 are ineligible for sale to Freddie Mac if those covenants were created on or after February 8, 2011. Freddie Mac may exercise any of its remedies under a Seller/Servicer's Purchase Documents for a breach of the representations and warranties regarding a Mortgage encumbered with a private transfer fee covenant prohibited by 12 C.F.R. Part 1228, including issuance of a repurchase request.

As provided in Bulletin 2012-18, a Seller/Servicer is not relieved from Freddie Mac's enforcement of its representations and warranties with respect to Section 22.36 because they relate to first lien enforceability. The Seller/Servicer remains responsible for such representations and warranties for the life of the loan.

### Retirement of Form 996 and Form 996E delivery updates

We are deleting Guide Form 996, *Warehouse Provider Release and Transfer*, from the Guide and updating Guide Chapter 19 to remove Form 996 references since Form 996E is generated by the Freddie Mac Selling System for Sellers who use Warehouse Lenders.

We are also updating Section 19.13 to expressly permit delivery of an Electronic Record, as defined in Section 3.2, copy of Form 996E, and to remove fax transmission as an option for delivery. Warehouse Lenders may deliver Form 996E to Freddie Mac as (i) a paper form or (ii) an Electronic Record copy attached to an e-mail to **Cust_Support_996@freddiemac.com**. Sections 19.4, 19.5, B15.11, C15.11 and D15.11 are being updated to reflect revised Form 996E delivery instructions resulting from this change. The Guide sample Form 996E and the Selling System-generated Form 996E will be updated at a future date to reflect these changes to delivery instructions.

We are updating cross-references to Chapter 3 in Section 19.13 to align with changes made in Bulletin 2015-4 to reorganize and renumber Chapter 3. Additionally, we are advising Warehouse Lenders not to include 'bailee letters' or equivalent documentation with Form 996E or otherwise for Pledged Mortgages.

The Form 996 and 996E related Guide changes affect only the Warehouse Lenders' process and procedures and will have no impact on Sellers. Freddie Mac is actively exploring its procedures for funding Pledged Mortgages to improve the experience of both Sellers and Warehouse Lenders.

For more information on preparing Form 996E, refer to **Form 996E Tips and Best Practices**.

Guide impacts: Sections B15.11, C15.11, D15.11, 19.4, 19.5, 19.6, 19.7, 19.10, 19.11 and 19.13 and Form 996

### Form 990SF updates

In response to customer feedback, we evaluated Form 990SF and are making updates for ease of customer use.

Guide impact: Form 990SF

### Form 905 updates

We are updating Section 12.3.1 and Form 905, *Guide Access Manager Authorization Form*, to clarify when completion and submission of Form 905 is necessary. A Seller must submit Form 905 to add or remove Guide Access Managers (GAMs), who manage access to Guide Plus Additional Provisions for their organization. Submission of Form 905 is not required to add or delete users who are not GAMs since GAMs have the ability to make these changes.

Form 905 is also being updated to specify the difference between the “GAM only” and “GAM/User” roles and is now a fillable form for Seller convenience.

Guide impacts: Section 12.3.1 and Form 905

### Objective of Freddie Mac’s purchase programs update

We are revising Section 2.1 to update outdated language.

Guide impact: Section 2.1

## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-20 (Selling) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1520_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,

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

Freddie Mac

Bulletin

**TO: Freddie Mac Sellers** December 9, 2015 | 2015-21

## SUBJECT: HOME POSSIBLE® MORTGAGES AND MANUFACTURED HOUSING

**(In response to customer feedback, we are reissuing Bulletin 2015-21 on December 18, 2015 to delay the effective dates for all changes with the exception of the sections in the "Mortgages secured by Manufactured Homes" section that reflect an effective date of January 4, 2016. Additionally, we are revising the section titled "Loan Prospector® updates.")**

As a result of our continued focus on making homeownership accessible to more first-time homebuyers and low-to-moderate-income Borrowers, this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin announces:

**Home Possible and Home Possible Advantage® Mortgages – July 1, 2016**

- Introduction of a new postsettlement delivery fee ("delivery fee") cap structure for Home Possible and Home Possible Advantage Mortgages (collectively referred to as "**Home Possible Mortgages**") and updates to Home Possible Mortgage delivery fee rates
- Revisions to existing mortgage insurance coverage level requirements for Home Possible Mortgages

**Manufactured housing – January 4, 2016**

- A reduction in the delivery fee rate for Mortgages secured by Manufactured Homes
- Revisions to existing mortgage insurance coverage level requirements for Mortgages secured by Manufactured Homes

**Custom mortgage insurance – July 1, 2016**

- Updates to the minimum coverage requirement levels for custom mortgage insurance, including the expansion of availability of custom mortgage insurance to Mortgages with loan-to-value (LTV) ratios in certain LTV ratio ranges not previously covered
- Updates to delivery fee rates for Mortgages sold to Freddie Mac with custom mortgage insurance

## HOME POSSIBLE MORTGAGES

**Effective for Mortgages with Settlement Dates on or after July 1, 2016**

### New delivery fee cap structure and delivery fee rates

We are implementing a new delivery fee cap structure for Home Possible Mortgages to help preserve affordability for low-to-moderate income Borrowers or Borrowers in an Underserved Area across a broad spectrum of LTV ratios and credit scores. This fee cap structure is designed to manage both affordability and risk, and do so in a balanced and responsible manner.

The delivery fee cap will apply when:

- The income used to qualify the Borrower for a Home Possible Mortgage does not exceed 80% of the applicable area median income (AMI), or
- The Home Possible Mortgage is secured by Mortgaged Premises located in an Underserved Area, which is defined as either of the following:
  - Census tracts or block numbering areas in which the median income does not exceed 80% of the AMI; minority census tracts where families reside and have an income that does not exceed AMI at the time of loan origination; census tracts designated as disaster areas where families reside and have an income that does not exceed AMI at the time of loan origination; or

- Minority census tracts – census tracts that have a minority population of at least 30% and a median income of less than 100% of the AMI

Home Possible Mortgages that do not meet one of the criteria for the delivery fee cap structure above are subject to all standard delivery fee rates including those in the updated Indicator Score (IS)/LTV grid, which includes a new column for Mortgages with LTV ratios greater than 95% and less than or equal to 97%. The IS/LTV grid for Freddie Mac Relief Refinance Mortgages℠ is not changing.

The new IS/LTV grid and the new Home Possible Delivery Fee Cap grid are replacing the separate Home Possible and Home Possible Advantage Mortgage delivery fee grids in Exhibit 19, thereby bringing alignment to the pricing of Home Possible Mortgages.

The Number of Units delivery fee grid in Exhibit 19 has been updated to remove separate rows for Home Possible Mortgages. The Number of Units delivery fee will apply to all Mortgages. The Condominium Unit Mortgages delivery fee grid has been updated to reflect that all applicable Home Possible Mortgages are subject to this delivery fee. The Number of Units and Condominium Unit Mortgages delivery fees are subject to the Home Possible delivery fee cap, as applicable.

Guide impacts: Section A34.14 and Exhibit 19

### *Delivery of Investor Feature Identifier (IFI) 140*

Currently IFI 140 is used to identify purchase transaction Mortgages when income used to qualify the Borrower, converted to an annual basis, does not exceed 80% of the applicable AMI. We are expanding the description of IFI 140 to include all eligible Home Possible Mortgages and Mortgaged Premises located in Underserved Areas. Effective for Mortgages with Settlement Dates on or after July 1, 2016, in order to be eligible for the new delivery fee cap structure, Sellers must deliver IFI 140 for Home Possible Mortgages that have:

- Qualifying income that does not exceed 80% of the applicable AMI, or
- A Mortgaged Premises located in an Underserved Area

Guide impacts: Section 17.18 and Exhibit 34

### *New Home Possible delivery fee cap grid*

| HOME POSSIBLE AND HOME POSSIBLE ADVANTAGE DELIVERY FEE CAP<br>Effective for Settlement Dates on or after July 1, 2016 | | | | |
|---|---|---|---|---|
| **Product** | **Eligibility** | **LTV Ratios** | **Credit Score** | **Cap*** |
| **All Eligible Product** | **AMI ≤ 80% OR Underserved Area** | **> 80%** | **≥ 680** | 0.00% |
| | | | **< 680** | 1.50% |
| | | **≤ 80%** | **All** | 1.50% |
| | **All Others** | **All** | **All** | Not subject to delivery fee cap – subject to applicable standard fees based on loan attributes |

*If the sum of all applicable delivery fees exceeds the delivery fee cap, the Seller will be assessed the cap value in the table above. The custom mortgage insurance delivery fee will be added to the delivery fee cap, if applicable.

***Updated IS/LTV grid***

| INDICATOR SCORE / LOAN-TO-VALUE FOR MORTGAGES OTHER THAN RELIEF REFINANCE MORTGAGES<br>Effective for Settlement Dates on or after July 1, 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Product** | **Credit Score** | **LTV Ratios** | | | | | | | |
| | | **All Eligible** | | | | | | | |
| | | **≤ 60%** | **> 60% & ≤ 70%** | **> 70% & ≤ 75%** | **> 75% & ≤ 80%** | **> 80% & ≤ 85%** | **> 85% & ≤ 90%** | **> 90% & ≤ 95%** | **>95% & ≤ 97%** |
| **All Eligible Product** | **≥ 740** | 0.00% | 0.25% | 0.25% | 0.50% | 0.25% | 0.25% | 0.25% | 0.75% |
| | **≥ 720 & < 740** | 0.00% | 0.25% | 0.50% | 0.75% | 0.50% | 0.50% | 0.50% | 1.00% |
| | **≥ 700 & < 720** | 0.00% | 0.50% | 1.00% | 1.25% | 1.00% | 1.00% | 1.00% | 1.50% |
| | **≥ 680 & < 700** | 0.00% | 0.50% | 1.25% | 1.75% | 1.50% | 1.25% | 1.25% | 1.50% |
| | **≥ 660 & < 680** | 0.00% | 1.00% | 2.25% | 2.75% | 2.75% | 2.25% | 2.25% | 2.25% |
| | **≥ 640 & < 660** | 0.50% | 1.25% | 2.75% | 3.00% | 3.25% | 2.75% | 2.75% | 2.75% |
| | **≥ 620 & < 640** | 0.50% | 1.50% | 3.00% | 3.00% | 3.25% | 3.25% | 3.25% | 3.50% |
| | **< 620** | 0.50% | 1.50% | 3.00% | 3.00% | 3.25% | 3.25% | 3.25% | 3.75% |

### Mortgage insurance

As part of our focus on responsibly expanding homeownership, we are updating our mortgage insurance requirements for Home Possible Mortgages as follows:

- For Mortgages with LTV ratios greater than 80% and less than or equal to 90%, standard coverage levels apply
- For Mortgages with LTV ratios greater than 90%, the minimum coverage level is 25%

Home Possible Mortgages secured by Manufactured Homes will be subject to Home Possible Mortgage mortgage insurance requirements.

We are removing the table in Section A34.11 reflecting mortgage insurance coverage levels for Home Possible Mortgages and consolidating it with general mortgage insurance coverage level information in Section 27.1.

Guide impacts: Sections 27.1 and A34.11

## MORTGAGES SECURED BY MANUFACTURED HOMES

### Delivery fee rate

**Effective for Mortgages with Settlement Dates on or after January 4, 2016**

We are reducing the delivery fee rate for all eligible Mortgages secured by Manufactured Homes from 100 basis points to 50 basis points.

Guide impacts: Exhibit 19

### Mortgage insurance

**Effective for Mortgages with Settlement Dates on or after January 4, 2016**

We are reducing the required minimum mortgage insurance coverage level for Mortgages secured by Manufactured Homes to be the standard mortgage insurance coverage.

Guide impacts: Section H33.3

**Effective for Mortgages with Settlement Dates on or after July 1, 2016**

We are removing the table in Section H33.3 reflecting mortgage insurance coverage levels for Mortgages secured by Manufactured Homes and consolidating it with the general mortgage insurance coverage level information in Section 27.1. For mortgage insurance coverage requirements for Home Possible Mortgages secured by Manufactured Homes see Section 27.1.

Guide impacts: Sections 27.1 and H33.3

## CUSTOM MORTGAGE INSURANCE

**Effective for Mortgages with Settlement Dates on or after July 1, 2016**

### Coverage levels

To provide an additional mortgage insurance option, we are expanding the availability of custom mortgage insurance to include Mortgage products with certain LTV ratio ranges not previously covered, including Home Possible Mortgages. We are also updating the minimum coverage levels for mortgage insurance, as reflected in Section 27.1.

Guide impacts: Section 27.1

### Delivery fee rates

We are updating the delivery fee rates for Mortgages sold to Freddie Mac with custom mortgage insurance as reflected in the grid below. The grid is being expanded to reflect Mortgages with:

- LTV ratios greater than 80% and less than or equal to 85%
- LTV ratios greater than 95% and less than or equal to 97%

| CUSTOM MORTGAGE INSURANCE OPTIONS<br>Effective for Settlement Dates on or after July 1, 2016 | | | | | |
|---|---|---|---|---|---|
| **Product** | **Credit Score** | **LTV Ratios** | | | |
| | | **> 80% & ≤ 85%** | **> 85% & ≤ 90%** | **> 90% & ≤ 95%** | **> 95% & ≤ 97%** |
| **All Eligible Product** | **≥ 740** | 0.125% | 0.375% | 0.500% | 1.000% |
| | **≥ 720 & < 740** | 0.125% | 0.625% | 0.875% | 1.250% |
| | **≥ 700 & < 720** | 0.125% | 0.750% | 0.875% | 1.250% |
| | **≥ 680 & < 700** | 0.125% | 0.750% | 0.875% | 1.750% |
| | **≥ 660 & < 680** | 0.750% | 1.250% | 1.750% | 2.125% |
| | **≥ 640 & < 660** | 1.250% | 1.750% | 2.000% | 2.375% |
| | **≥ 620 & < 640** | 1.750% | 2.000% | 2.250% | 2.750% |
| | **< 620** | 2.000% | 2.250% | 2.500% | 3.000% |

For Home Possible Mortgages, the custom mortgage insurance delivery fees will be added to the applicable Home Possible Mortgage delivery fee cap.

Guide impacts: Exhibit 19

### Reduced mortgage insurance

We are removing reduced mortgage insurance as an alternative to standard mortgage insurance coverage. As a result, Guide references to flexible mortgage insurance options are being revised to reflect custom mortgage insurance as the sole alternative to standard mortgage insurance coverage.

Guide impacts: Sections 27.1, 32.3 and L33.3 and Exhibit 19

## LOAN PROSPECTOR® UPDATES

We will send a future communication to announce Loan Prospector updates related to these changes.

## 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 3 for loan delivery.

Sincerely,

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

Freddie Mac

Bulletin

**TO: Freddie Mac Servicers** December 16, 2015 | 2015-22

## SUBJECT: SERVICING UPDATES

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

**Servicing remedies framework**

- The servicing remedies framework – **January 1, 2016 (New)**

**Default management**

- Revisions to our Borrower contact and solicitation requirements – **June 1, 2016**
- Indefinite extension of the deed-in-lieu of foreclosure supplemental Borrower incentive payment of up to $7,000 that was announced in Bulletin 2014-19

**Subsequent Transfers of Servicing**

- Elimination of the $500 transfer processing fee for Subsequent Transfer of Servicing requests

**Freddie Mac contact information**

- Updates to certain Freddie Mac contact information

## EFFECTIVE DATE

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

## SERVICING REMEDIES FRAMEWORK – SERVICING DEFECTS AND REMEDIES

**Effective January 1, 2016**

Freddie Mac, jointly with Fannie Mae, at the direction of the Federal Housing Finance Agency (FHFA), is pleased to announce the servicing remedies framework, which expands upon provisions that were introduced in Bulletin 2012-20. The servicing remedies framework provides greater clarity on the process for categorizing loan-level Servicing Defects based on Servicing Violations, Servicer corrections of such defects and loan-level remedies for Servicing Violations. The servicing remedies framework does not affect any selling or contractual representations and warranties (e.g., fraud, compliance with applicable law, etc.).

In adopting and clarifying the servicing remedies framework, we are not discharging Servicers from responsibility for Servicing Mortgages in accordance with the terms of Freddie Mac's Purchase Documents, including the Guide.

We encourage Servicers to review **Freddie Mac's Servicing Remedies Framework – FAQ's** for illustrative examples describing how Freddie Mac may determine the appropriate Servicing Remedy and the calculation of such remedy.

### Definitions

In support of the servicing remedies framework, the following terms will be added to Guide Section 72.1.1:

- **Servicing Correction**: Action taken by the Servicer that demonstrates that the identified Servicing Defect either (i) did not, in fact, exist, or (ii) has been corrected in the time frame specified by Freddie Mac, such that the Servicing Defect is no longer considered by Freddie Mac to be a Servicing Defect

- **Servicer Counterparty Status**: Freddie Mac's assessment of a Seller/Servicer's financial capacity which could determine whether to offer the Seller/Servicer certain Servicing Repurchase Alternatives for a Servicing Violation
- **Servicing Defect**: A loan-level deficiency based on a Servicing Violation resulting from a breach of a requirement, term or condition contained in the Purchase Documents in effect at the time of the Servicing Violation
- **Servicing Remedy**: An action to resolve a Servicing Defect elected by Freddie Mac in accordance with the Purchase Documents which may be either a Servicing Repurchase Alternative or a repurchase
- **Servicing Repurchase Alternative**: Remedies other than repurchase of the identified Mortgage including, after foreclosure, the Real Estate Owned (REO) property that compensates Freddie Mac for damages, expenses and losses resulting from the identified Servicing Defect. The Servicing Repurchase Alternative offered by Freddie Mac will be based on the individual Servicing Defect, and Section 72.1.1 provides the costs that could be associated with any Servicing Repurchase Alternative.
- **Servicing Repurchase Defect**: A Servicing Defect attributable to a Servicing Violation for which a repurchase request could be issued without first issuing a notice of Servicing Defect, or a Servicing Repurchase Alternative demand letter. Servicing Repurchase Defects are limited to Servicing Defects that:
  - Cause Freddie Mac's lien, security interest or other property interest to be subordinated, extinguished or become inadequate for the realization of the benefits of the security against the related Mortgaged Premises
  - Pose a significant reputational risk to Freddie Mac
  - Result from the Servicer modifying a Mortgage that was sold to Freddie Mac with recourse or full indemnification in violation of Freddie Mac's modification eligibility requirements
  - Result in the Mortgage to not be, or no longer be, supported by Freddie Mac's Servicing systems; or
  - Cause irreparable damage to the physical improvements to the Mortgaged Premises or REO property or render the Mortgaged Premises or REO property uninhabitable
- **Servicing Violation**: A breach of any Servicer requirement or obligation contained in the Purchase Documents related to Servicing functions including, but not limited to, processing of payments, delinquency management, communications, loss mitigation, property preservation and ensuring appropriate insurance is on the Mortgage or property

## Process for remediating Servicing Violations and related Servicing Defects

The steps described below provide an overview of the process developed in support of the servicing remedies framework that Freddie Mac will follow to categorize Servicing Defects, allow Servicing Corrections to Servicing Defects through a notice of Servicing Defect, and remedy Servicing Defects through a Servicing Remedy letter (either a repurchase request or Servicing Repurchase Alternative demand letter).

***Step 1 – Determination of whether to send a notice of Servicing Defect or a Servicing Remedy letter***

**<u>Notices of Servicing Defect and Servicing Remedy letters</u>**

If Freddie Mac identifies a Servicing Violation, Freddie Mac may issue either a notice of Servicing Defect or a Servicing Remedy letter.

If Freddie Mac determines that the Servicing Defect resulting from a Servicing Violation can be reasonably corrected by the Servicer, Freddie Mac will issue a notice of Servicing Defect.

If Freddie Mac deems the Servicing Defect resulting from a Servicing Violation to be uncorrectable by the Servicer, Freddie Mac will issue a Servicing Remedy letter. A Servicing Remedy letter may also be issued if a Servicing Defect:

- Is not corrected by the Servicer during the Servicing Correction period, if applicable, or

- Caused or will cause Freddie Mac losses, expenses or damages, notwithstanding any Servicing Correction

The following are limited instances in which a Servicing Defect resulting from a Servicing Violation may be deemed to be uncorrectable. Therefore a Servicing Remedy letter may be issued in lieu of a notice of Servicing Defect when a Servicing Defect:

- Extinguishes the lien, security interest or other property interest, or the lien, security interest or other property interest becomes inadequate for the realization of the benefits of the security against the related Mortgaged Premises
- Causes irreparable damage to the physical improvements to the Mortgaged Premises or REO property or renders the Mortgaged Premises or REO property uninhabitable
- Is a result of a foreclosure sale to a third-party purchaser, completed short sale, or completed deed-in-lieu of foreclosure that was not compliant with the Purchase Documents
- Extinguishes Freddie Mac's ability to either file an insurance claim or seek full recovery of an insurance claim amount, for any insurance or guarantee type; or
- Results in a property that was not preserved and maintained in accordance with the Purchase Documents, and, following acquisition of the REO property, Freddie Mac needs to make any repairs to the property as a result of the Servicer's failure to preserve and maintain the property in accordance with the Purchase Documents

Freddie Mac's determination that a Servicing Defect is uncorrectable or is a Servicing Repurchase Defect may be appealed by the Servicer as part of the existing appeals process (Section 72.6.1). In the event the appeal results in the determination that a Servicing Defect can be corrected, the initial Servicing Remedy letter will be considered withdrawn, Freddie Mac will issue a notice of Servicing Defect, and the Servicer may correct such Servicing Defect during the Servicing Correction period set forth in the notice of Servicing Defect.

A Servicing Repurchase Alternative demand letter will be issued for Servicing Defects not constituting Servicing Repurchase Defects including, if applicable, after a Servicing Correction period. Freddie Mac will issue any such Servicing Repurchase Alternative demand letter within 60 days after the expiration of the Servicing Correction period, including any extensions and resolution of any appeals, unless Freddie Mac provides notice to the Servicer that it is unable to provide the Servicing Repurchase Alternative demand letter within such time frame. Any such notice will describe the anticipated time frame for issuing the related Servicing Repurchase Alternative demand letter. A repurchase request will be issued for any Servicing Repurchase Defect.

If there are multiple Servicing Defects caused by a Servicing Violation or Violations, Freddie Mac may either issue a (i) repurchase request if any Servicing Violation constitutes a Servicing Repurchase Defect, or (ii) a Servicing Repurchase Alternative demand letter for all Servicing Defects, in each case based on each specific Servicing Violation.

If a Servicer fails to comply with any Servicing Remedy letter, Freddie Mac may pursue other available rights and remedies under the Purchase Documents, including repurchase.

**Content of notices of Servicing Defect and Servicing Remedy letters**

The notice of Servicing Defect or Servicing Remedy letter will include the following information:

- The specific Servicing Violation(s) and/or related Servicing Defect(s)
- For a notice of Servicing Defect, the Servicing Correction period
- For a Servicing Repurchase Alternative demand letter, the Servicing Repurchase Alternative amount, including calculation of the Servicing Repurchase Alternative amount. (For a repurchase request, Section 72.3 provides the details regarding the calculation of the repurchase price.)
- For a Servicing Remedy letter, the time frame for completing the repurchase or payment of the Servicing Repurchase Alternative, and information regarding the Servicer's right to appeal and time frame for appeal

### *Step 2 – Servicing Corrections*

During the Servicing Correction period identified in a notice of Servicing Defect, a Servicer must correct the related Servicing Defect(s) in the specified time frame required in the notice of Servicing Defect. Following the Servicing Correction period, Freddie Mac will assess any Servicing Correction made by the Servicer to determine whether a Servicing Remedy letter will be issued. If the Servicer provides an acceptable Servicing Correction, Freddie Mac will not pursue a repurchase; however, Freddie Mac may still issue a Servicing Repurchase Alternative demand letter for any damages, expenses or losses suffered as a result of the Servicing Violation. If Freddie Mac determines it will not issue a Servicing Remedy letter, Freddie Mac will notify the Servicer that the related notice of Servicing Defect has been closed.

### *Step 3 – Appeals of Servicing Remedy letters*

All Servicing Remedy letters issued to a Servicer are subject to appeal by the Servicer in accordance with Section 72.6.1.

At any time during the appeals process, a Servicer may propose a Servicing Repurchase Alternative. Freddie Mac will, in good faith, review and advise the Servicer of its decision.

Freddie Mac may offer or decline to offer the Servicer certain Servicing Repurchase Alternatives based on the Servicer Counterparty Status to the extent there are future obligations required as part of the Servicing Repurchase Alternative. Other factors to be considered by Freddie Mac may include, but are not limited to, the failure to maintain a quality Servicing practice and the Servicer's ability and willingness to comply with other provisions of the Purchase Documents.

### Guide updates

Sections B65.9, B65.41.1, B65.47, C65.8, 66.33, 67.5, 67.13, 70.10, 72.1.1 and 72.6.1 have been updated to reflect these changes.

## DEFAULT MANAGEMENT

### Borrower contact and solicitation

Servicers must comply with the revisions to Borrower contact and solicitation requirements announced in this Bulletin on or after **June 1, 2016**; however, Servicers are encouraged to implement these changes as early as possible.

In response to industry feedback and in an effort to provide a more efficient and flexible process for Servicers to conduct Borrower outreach, we are announcing the following changes to our Borrower contact and solicitation requirements.

### *Outbound contact attempts*

We have revised our requirements for outbound contact attempts to state that Borrower contact campaigns must begin as early in the delinquency cycle as possible to secure a payment or payment arrangement but no later than the 36$^{th}$ day after the Due Date of an unpaid monthly installment. Servicers may use their own methodology or a loss mitigation tool to determine which Borrowers to contact earlier than the 36$^{th}$ day after the Due Date of an unpaid monthly installment.

Rather than contacting Borrowers every three days throughout the delinquency cycle, Servicers must now continue Borrower contact attempts at least every fifth day at varying times throughout the day until the earlier of the 210$^{th}$ day after the Due Date of an unpaid monthly installment or quality right party contact is achieved and:

- The Servicer determines that the Borrower does not want to pursue an alternative to foreclosure, or the Delinquency is cured
- The Servicer achieves quality right party contact and has obtained from the Borrower a promise to pay the delinquent amount by a specified date (not to exceed 30 days)
- A complete Borrower Response Package is received in accordance with Section 64.6; or
- The Borrower enters into a relief or workout option with the Servicer

To conduct outbound contact, Servicers may use alternative contact methods to reach the Borrower as permitted by applicable law including, but not limited to, e-mail, text messaging or voice response unit (VRU) technology.

***General solicitation***

We are reducing the content of the Borrower Solicitation Package in an effort to avoid overwhelming Borrowers with too much information at one time, and revising the timing and amount of solicitations that must be sent to delinquent Borrowers.

We are eliminating the requirement to solicit Borrowers by the 35th and 65th day after the Due Date of an unpaid monthly installment if a resolution to the Delinquency is not reached. We are also eliminating the attorney post-referral to foreclosure solicitation letter that is required to be sent within five Business Days following foreclosure referral.

Servicers must send the Borrower at least one general solicitation no later than the 45th day after the Due Date of an unpaid monthly installment if quality right party contact and a resolution to the Delinquency have not been achieved. The solicitation must include a statement encouraging the Borrower to contact the Servicer, the Servicer's contact information, a brief description of loss mitigation options that are available and contact information for homeownership counseling. This solicitation further aligns with the timing of the early intervention notice that must be sent to delinquent Borrowers pursuant to the Real Estate Settlement Procedures Act (RESPA).

For this general solicitation, we are introducing new Guide Exhibit 1145, the solicitation template for the Borrower Solicitation Letter, which reflects the content a Servicer must include in its general Borrower solicitation. Servicers must amend Exhibit 1145 as necessary to comply with applicable law.

When sending the general solicitation by the 45th day after the Due Date of an unpaid monthly installment, the Servicer may send either:

- A Borrower Solicitation Package that includes the Borrower Solicitation Letter, Guide Form 710, Internal Revenue Service (IRS) Form 4506T-EZ, and frequently asked questions (FAQs) and foreclosure rescue scam information

OR

- The Borrower Solicitation Letter and elect to send Form 710, IRS Form 4506T-EZ, the FAQs and foreclosure rescue scam information upon establishing quality right party contact. The Servicer may also provide the FAQs and foreclosure rescue scam information on its web site and provide a link to that information in the Borrower Solicitation Letter.

As a result of these changes, we are retiring Exhibits 1131 and 1161.

***Quality right party contact***

We are updating our requirements related to quality right party contact to simplify the information Servicers must attempt to collect when making contact with a delinquent Borrower. Servicers no longer have to determine whether the Borrower is planning to vacate the property or understand the Borrower's perception of their financial circumstances. Instead, Servicers must make an attempt to:

- Determine the Borrower's reason for the Delinquency and whether the reason is temporary or permanent in nature
- Determine the Borrower's ability to repay the debt
- Set payment expectations and educate the Borrower on the availability of alternatives to foreclosure as appropriate
- Obtain a commitment from the Borrower to either resolve the Delinquency through traditional methods (paying the total delinquent amount) or engage in an alternative to foreclosure solution

For complete details of all Borrower contact and solicitation requirements described above, Servicers must review Sections 63.2, 64.5 and 64.6.

### *Guide updates*

Sections 63.2 and 64.4 through 64.6, C65.11, 66.12, 66.23 and 71.19 have been updated to reflect these changes. Additionally, Exhibit 1145 has been created and Exhibits 1131 and 1161 have been retired.

## Deed-in-lieu of foreclosure incentives

### *Borrower incentive*

**December 1, 2015**

In Bulletin 2014-19, we announced a supplemental Borrower incentive payment of up to $7,000 for a deed-in-lieu of foreclosure (DIL), provided the Borrower is not required to make a financial contribution to the workout, for an eligible Borrower whose:

- Mortgaged Premises is located in Connecticut, the District of Columbia, Illinois, Maryland, Massachusetts, New Jersey, New York or Pennsylvania, and
- Evaluation date for the DIL was on or before December 1, 2015

To further assist Servicers in achieving workouts for Borrowers in these States with extended foreclosure time lines, we are removing the expiration date for this supplemental Borrower incentive. All other requirements remain the same, including geographical limitations.

Guide impact: Section B65.44.1

### *Servicer incentive reminder*

As a reminder, to receive the Servicer incentive payment for a completed DIL transaction, Servicers must obtain clear and marketable tile to the property, as well as meet all other requirements in Section B65.47. Clear and marketable title must be conveyed to Freddie Mac before reporting the completed DIL transaction via the Freddie Mac Service Loans application as required in Section B65.48.

# ELIMINATION OF SUBSEQUENT TRANSFER OF SERVICING PROCESSING FEE

We will no longer assess the $500 transfer processing fee for all Subsequent Transfer of Servicing requests submitted to Freddie Mac on or after December 16, 2015. The fee elimination does not apply to Subsequent Transfers of Servicing that are currently in process.

Guide impacts: Sections 56.3 and S84.4 and Form 981

# FREDDIE MAC CONTACT INFORMATION

## Broker’s Price Opinion (BPO) payment address

To enhance efficiency and reduce operational costs of maintaining two lockboxes, we are no longer maintaining our lockbox at P.O. Box 93434, Chicago, IL 60673-3434.

Servicers must remit payments for BPOs ordered for loss mitigation or foreclosure sale bidding to our lockbox at P.O. Box 730453, Dallas, TX 75373-0453. For overnight and courier deliveries, the payments must be addressed to JP Morgan Chase, Dallas National Wholesale LB TX 1-0029, 14800 Frye Road, Fort Worth, TX 76155, Attn: HomeSteps #730453.

Guide impacts: Section 65.40.1 and Directories 5 and 7

## Investor Reporting department mailing address

We are updating our mailing address for the Investor Reporting department to 8250 Jones Branch Drive, McLean, VA 22102.

Guide impacts: Directories 1, 3 and 9

## ADDITIONAL RESOURCES

We will provide information on training and resources to support changes announced in this Bulletin in a January communication. As always, Servicers are encouraged to visit the **Freddie Mac Learning Center** for new and existing training opportunities.

## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, refer to the Bulletin 2015-22 (Servicing) Guide Updates Spreadsheet available at **http://www.freddiemac.com/singlefamily/guide/docs/bll1522_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