

Bulletin

TO: All Freddie Mac Sellers and Servicers

March 1, 2007

SUBJECT: Revised Selling and Servicing Requirements for Mortgages Affected by Hurricane Katrina and Hurricane Rita

With this *Single-Family Seller/Servicer Guide* (Guide) Bulletin, Freddie Mac is announcing changes to our temporary selling and Servicing requirements for Mortgages affected by Hurricanes Katrina and Rita that are secured by properties located in “eligible Disaster Areas.”

Eligible Disaster Areas are those areas comprised of counties or municipalities, including parishes, which have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance was made available. The Federal Emergency Management Agency (FEMA) identifies these areas on its Web site.

The three-zone methodology established by Freddie Mac (Zone One: minimal to no damage; Zone Two: moderate damage; Zone Three: significant damage) may only be used by Sellers to originate Mortgages for sale to Freddie Mac and by Servicers to service Mortgages owned by Freddie Mac pursuant to these temporary requirements, and should not be used for any other purpose.

With this Guide Bulletin, we are amending temporary selling and Servicing requirements to:

- Move 13 counties/parishes from Zone Two to Zone One
- Extend the expiration date for previously announced temporary selling and Servicing requirements from March 31, 2007 through June 30, 2007

SELLING AND SERVICING REQUIREMENTS

Moving counties/parishes to different zones

We continue to evaluate information about the extent of damage in the eligible Disaster Areas. As a result of this evaluation, we are moving the following 13 counties/parishes from Zone Two to Zone One:

- Acadia, LA
- Assumption, LA
- Beauregard, LA
- Iberia, LA
- St. Charles, LA
- Terrebonne, LA
- Clarke, MS
- Jasper, MS
- Jones, MS
- Pearl River, MS
- Stone, MS
- Wayne, MS
- Hardin, TX

There are no changes to the counties/parishes listed in Zone Three.

A revised list of counties/parishes and their assigned zone numbers are identified in Exhibit A of this Bulletin.

Please note, the zone designations identified in this Bulletin are effective immediately for Sellers originating Mortgages pursuant to temporary requirements, but effective April 1, 2007 for Servicers servicing Mortgages owned by Freddie Mac pursuant to our temporary requirements.

SELLING REQUIREMENTS

Effective date

The changes to temporary selling requirements included in this Bulletin are effective immediately.

Temporary selling requirements

With this Bulletin, we are announcing that the temporary underwriting relief and flexibility for Borrower credit reputation and capacity and the LTV/TLTV/HTLTV ratio limits announced in our September 30, 2005 Bulletin (as amended by the October 7, 2005, November 8, 2005, May 1, 2006, August 4, 2006 and November 7, 2006 Bulletins) will be effective for Mortgages with Note Dates on or after August 30, 2005 (for Hurricane Katrina) or September 25, 2005 (for Hurricane Rita), as applicable, through June 30, 2007.

As a reminder, we removed the LTV/TLTV/HTLTV ratio limits for Mortgages secured by properties located in Zone One in our May 1, 2006 Bulletin.

The temporary special collateral requirements announced in our September 30, 2005 Bulletin, as modified in our May 1, 2006 Bulletin, remain in effect until further notice.

Reminder: Temporary selling requirements for Home Possible® Mortgages

Sellers are reminded that Freddie Mac has removed the median income limits for Borrowers with Home Possible Mortgages secured by properties located in eligible Disaster Areas affected by Hurricane Katrina and Hurricane Rita with Note Dates of December 31, 2007 or earlier. Sellers must deliver these Mortgages to Freddie Mac on or before March 31, 2008.

For more information about this requirement, see our June 26, 2006 and August 4, 2006 Bulletins.

Other selling requirements

Except as set forth in the September 30, 2005 Bulletin (and amended by this Bulletin and the October 7, 2005, November 8, 2005, May 1, 2006, August 4, 2006 and November 7, 2006 Bulletins), all requirements in a Seller's Purchase Documents must be met for a Mortgage to be eligible for sale to Freddie Mac.

The selling requirement provisions of this Bulletin are Discretionary Provisions as defined in Guide Section 12.13 and Exhibit 26, Discretionary Provisions.

SERVICING REQUIREMENTS

Effective date

The changes to temporary Servicing requirements included in this Bulletin are effective for the period from April 1, 2007 through June 30, 2007, unless otherwise noted.

Temporary Servicing requirements

With this Bulletin, in addition to moving 13 counties/parishes from Zone Two to Zone One, we are announcing that for Mortgages secured by properties located in eligible Disaster Areas we are extending through June 30, 2007:

- The requirement to obtain prior Freddie Mac written approval before initiating or resuming foreclosures for properties located in Zone Two and Zone Three
- The Servicer's ability to extend forbearance on an individual case-by-case basis without Freddie Mac approval for properties located in Zone Three
- The suspension of the Guide requirement to collect Borrower documentation to determine eligibility for a long-term forbearance
- The requirement to obtain prior Freddie Mac written approval to complete any lender-initiated property preservation work on properties located in Zone Two and Zone Three
- The temporary credit reporting requirements announced in our February 10, 2006 Bulletin
- The expiration date for the streamlined underwriting requirements for loan modifications
- The delegation to approve a short payoff

As a reminder and for your convenience, the details of the temporary Servicing requirements that are being extended are set forth below.

Resume or initiate foreclosure proceedings – Zone Two and Zone Three

Servicers must continue to obtain prior Freddie Mac approval on Form 105, Multipurpose Loan Servicing Transmittal, before resuming or initiating foreclosure proceedings for Mortgages secured by properties located in Zone Two and Zone Three through June 30, 2007.

To resume a foreclosure proceeding that was suspended, a Servicer must submit a written request to Freddie Mac by the later of:

- Within five Business Days of a Borrower failing to fulfill a workout option, or
- Within five Business Days of a forbearance period ending.

To initiate a foreclosure, a Servicer must submit a written request to Freddie Mac by the later of:

- 120 days from the Due Date of Last Paid Installment (DDLPI) (90th day of Delinquency), or
- Within five Business Days of a Borrower failing to fulfill a workout option, or
- Within five Business Days of a forbearance period ending.

If a Borrower has abandoned the property, Servicers must submit the request to resume or initiate foreclosure proceedings within five Business Days of the notification of the abandonment.

Servicers must complete the written request on the Form 105 and must send it to the Servicer's Freddie Mac foreclosure representative with the following information:

- The Servicer's recommendation regarding foreclosure
- A copy of the distressed property inspection, if completed
- Total debt figures
- Current brokers price opinion (BPO), if available
- All information regarding pending insurance claims, including the insurance adjuster's report with estimate or claim denial, status of grant funds, or FEMA claim results, if applicable
- Listing of all lender-initiated property preservation work requested, if applicable

Once a foreclosure sale has been scheduled, Freddie Mac will prepare the bidding instructions for all Mortgages secured by properties located in a county/parish in Zone Two and Zone Three. A Servicer must contact its Freddie Mac foreclosure representative at least 30 days prior to the scheduled foreclosure sale date to obtain the bidding instructions. If the Mortgage was referred for foreclosure to one of our designated counsel, then the designated counsel will issue the bidding instructions according to their normal practices.

Extending forbearance in Zone Three

Based on individual assessment, Servicers may continue to extend forbearance to Borrowers with a Mortgage secured by a property in Zone Three for up to an additional 90 days, or through June 30, 2007, without Freddie Mac approval.

Reduced documentation requirements for a long-term forbearance

Through June 30, 2007 Servicers are not required to collect the Borrower documentation identified in Section A65.23 to determine eligibility for a long-term forbearance extension.

Lender-initiated property preservation work

Servicers may continue to make decisions on re-keying one entrance to a property if all of the following conditions exist:

- The property is abandoned and the entrances to the property are locked
- There has been no contact with the Borrower
- The Servicer, on the Borrower's behalf, has filed an insurance claim in accordance with the loan instruments and applicable laws
- The insurance adjuster cannot gain access to the property without an entrance being re-keyed
- The Servicer has provided sufficient notice to the Borrower with respect to how to obtain a replacement key
- The Servicer represents and warrants that the re-keying complies with all requirements of the loan instruments, applicable laws, or insurance claims filing processes
- The cost of the re-key does not exceed \$60

For all other lender-initiated property preservation work on properties located in Zone Two and Zone Three, Servicers must submit Form 105 with the following information to their Freddie Mac foreclosure representative for prior approval:

- Servicer's recommendation
- Copy of the distressed property inspection, if completed
- Total debt figures
- Current BPO, if applicable
- Insurance adjuster's report with estimate or claim denial, if applicable
- FEMA claim or grant funds results, if applicable
- Cost estimate for all property preservation work requested, if applicable

Credit reporting requirements

Credit reporting requirements previously announced in the February 10, 2006 Bulletin are being extended through June 30, 2007. For a Borrower who was 30 days or more delinquent on their Mortgage payment as of March 1, 2006, Servicers must not report the payment statuses listed below to credit repositories:

- Delinquent payments
- Repayment plans
- Forbearance plans
- Resumption or initiation of foreclosure
- Foreclosure sales
- Acceptance of a deed-in-lieu of foreclosure
- Short payoffs
- Charge-offs
- Bankruptcies

For a Borrower with a payment status of "current" as of March 1, 2006, Servicers must have resumed full-file reporting to credit repositories effective March 1, 2006 in accordance with Section 55.4.

For a Borrower who was current as of March 1, 2006 but subsequently experiences a Delinquency, Servicers must continue full-file reporting despite the Delinquency.

For a Borrower who was 30 days or more delinquent on their Mortgage payment as of March 1, 2006 and subsequently becomes current on their Mortgage payment through reinstatement or through a workout option, Servicers must resume full-file reporting to credit repositories once the Mortgage is current.

Streamlined underwriting requirements for loan modifications

The streamlined underwriting requirements for loan modification are extended until June 30, 2007. Beginning July 1, 2007, Servicers must follow the existing Guide requirements for submitting and approving workout loan modifications (see Guide Chapter B65, Workout Options).

Before considering a loan modification, a Servicer must first make every effort to determine if the Borrower wishes to retain ownership of their home.

To recommend a Borrower for a loan modification, a Servicer must ensure that **all** of the following eligibility requirements are met:

- **Documentation of income** – Servicers must document (on the Workout ProspectorSM notes screen) the Borrower's stated income and source, and the Borrower's commitment to retain ownership of the property
- **Determination of property value** – Servicers do not need to determine the value and condition of the property in accordance with the requirements in Section 65.25; instead, Servicers need only use the unpaid principal balance (UPB) of the Mortgage as the value of the property
- **Retention of existing credit enhancements** – Servicers may approve loan modifications on Mortgages with in-place credit enhancements provided that if the Servicer is not the credit enhancement provider, the Servicer first obtains written approval from the entity providing the enhancement. For example, if the Mortgage has mortgage insurance, the Servicer must first receive approval from the mortgage insurer.

- **Extension of the Mortgage term** – Servicers may extend the term of the modified Mortgage up to a maximum of 480 months
- **Servicer workout compensation** – Freddie Mac will compensate Servicers for each loan modification in accordance with Section 65.42(c). We encourage Servicers to waive the \$300 processing fee they currently charge Borrowers.
- **Servicing fee** – The Servicing fee will remain the same as it was prior to the loan modification
- **Previously modified Mortgages** – Mortgages that were previously modified in accordance with the existing requirements in Chapter B65 or with modifications settled prior to October 1, 2005 are eligible for modification under the streamlined provisions above. Any subsequent loan modification must be evaluated in accordance with the existing requirements in Chapter B65.
- **Interest rate reduction** – Servicers who want to recommend an interest rate reduction must consult their Freddie Mac Loss Mitigation Specialist for guidance

Servicers must not decline a loan modification until they contact their Freddie Mac Loss Mitigation Specialist for guidance.

All other requirements for loan modifications detailed in Chapter B65 remain in effect.

Requirements for short payoff approvals

The temporary requirements for short payoff approval remain in effect until June 30, 2007. Servicers may approve a short payoff of a Mortgage secured by a property in an eligible Disaster Area if **all** of the following requirements are met:

- At least 95% of the total debt is paid off
- The source of funds for the payoff is **all** proceeds from the Borrower's homeowners insurance or flood insurance, or from a government agency and any Borrower contribution if available
- The Servicer has verified that **all** available insurance claims have been filed and **all** proceeds from these claims have been received and will be applied toward the payoff

A Servicer may approve short payoffs of Mortgages with in-place credit enhancements provided that if the Servicer is not the credit enhancement provider, the Servicer first obtains written approval from the entity providing the enhancement. For example, if the Mortgage has mortgage insurance, the Servicer must first receive approval from the mortgage insurer.

If the above requirements are not met, Servicers must contact their Freddie Mac Loss Mitigation Specialist for direction.

Servicers must use the charge-off path in Workout Prospector II (WPII) to process the transaction and must release the lien on the property. Servicers must also comply with all other requirements in Sections B65.35, B65.41, and B65.49 through B65.53.

Reminder: Assessment of prepayment penalties

Servicers are reminded of our existing requirement to waive prepayment penalties pursuant to Sections B33.4 and 51.19 if a Mortgage payoff is received in connection with a workout or Security Instrument default. We encourage Servicers to consider waiving the penalty in all other situations for Mortgages secured by properties located in eligible Disaster Areas.

Existing Guide Servicing requirements

Servicers are also reminded that they must continue to adhere to the temporary requirements announced with the February 10, 2006, May 1, 2006, August 4, 2006 and November 7, 2006 Bulletins, except as they are amended by the temporary requirements contained in this Bulletin.

In addition, Servicers are still required to adhere to the Guide requirements for managing distressed properties found in Sections 67.27 through 67.28 and Chapter 68, except as they are amended by the temporary requirements contained in this Bulletin and the February 10, 2006, May 1, 2006, August 4, 2006 and November 7, 2006 Bulletins.

CONCLUSION

Replacement pages to the Guide will not be issued to include the selling and Servicing requirements of this Bulletin. Seller/Servicers should retain a copy of this Bulletin to ensure compliance with our requirements.

The information provided by our Seller/Servicers and others in the industry has been key to our efforts to provide solutions for Borrowers affected by these disasters. The latest requirements announced with this Bulletin build on our commitment to provide ongoing assistance for Borrowers in the worst disaster areas, while resuming normal business operations where appropriate.

Please note, both selling and Servicing requirements for Hurricane Katrina and Hurricane Rita are available on FreddieMac.com at http://www.freddiemac.com/corporate/about/how_we_help/hurricanes_of_2005.html.

For answers to questions about the requirements contained in this Bulletin, Freddie Mac Seller/Servicers should contact their Freddie Mac representative or call (800) FREDDIE.

Sincerely,



Patricia J. McClung
Vice President
Offerings Development

EXHIBIT A

ZONE ONE—104 COUNTIES/PARISHES		
Minimal to no damage		
State	County / Parish	Zone
AL	BALDWIN	1
AL	CHOCTAW	1
AL	CLARKE	1
AL	GREENE	1
AL	HALE	1
AL	MARENGO	1
AL	PICKENS	1
AL	SUMTER	1
AL	TUSCALOOSA	1
AL	WASHINGTON	1
LA	ACADIA	1
LA	ALLEN	1
LA	ASCENSION	1
LA	ASSUMPTION	1
LA	BEAUREGARD	1
LA	EAST BATON ROUGE	1
LA	EAST FELICIANA	1
LA	EVANGELINE	1
LA	IBERIA	1
LA	IBERVILLE	1
LA	JEFFERSON DAVIS	1
LA	LAFAYETTE	1
LA	LAFOURCHE	1
LA	LIVINGSTON	1
LA	POINTE COUPEE	1
LA	SABINE	1
LA	ST. CHARLES	1
LA	ST. HELENA	1
LA	ST. JAMES	1
LA	ST. JOHN THE BAPTIST	1
LA	ST. LANDRY	1
LA	ST. MARTIN	1
LA	ST. MARY	1
LA	TERREBONNE	1
LA	VERMILION	1
LA	VERNON	1
LA	WEST BATON ROUGE	1
LA	WEST FELICIANA	1
MS	ADAMS	1
MS	AMITE	1
MS	ATTALA	1
MS	CHOCTAW	1
MS	CLAIBORNE	1

ZONE ONE (continued)		
State	County / Parish	Zone
MS	CLARKE	1
MS	COPIAH	1
MS	COVINGTON	1
MS	FORREST	1
MS	FRANKLIN	1
MS	GEORGE	1
MS	GREENE	1
MS	HINDS	1
MS	HOLMES	1
MS	HUMPHREYS	1
MS	JASPER	1
MS	JEFFERSON	1
MS	JEFFERSON DAVIS	1
MS	JONES	1
MS	KEMPER	1
MS	LAMAR	1
MS	LAUDERDALE	1
MS	LAWRENCE	1
MS	LEAKE	1
MS	LINCOLN	1
MS	LOWNDES	1
MS	MADISON	1
MS	MARION	1
MS	NESHOBA	1
MS	NEWTON	1
MS	NOXUBEE	1
MS	OKTIBBEHA	1
MS	PEARL RIVER	1
MS	PERRY	1
MS	PIKE	1
MS	RANKIN	1
MS	SCOTT	1
MS	SIMPSON	1
MS	SMITH	1
MS	STONE	1
MS	WALTHALL	1
MS	WARREN	1
MS	WAYNE	1
MS	WILKINSON	1
MS	WINSTON	1
MS	YAZOO	1
TX	ANGELINA	1
TX	BRAZORIA	1
TX	CHAMBERS	1

ZONE ONE (continued)		
State	County / Parish	Zone
TX	FORT BEND	1
TX	GALVESTON	1
TX	HARDIN	1
TX	HARRIS	1
TX	JASPER	1
TX	LIBERTY	1
TX	MONTGOMERY	1
TX	NACOGDOCHES	1
TX	NEWTON	1
TX	POLK	1
TX	SABINE	1
TX	SAN AUGUSTINE	1
TX	SAN JACINTO	1
TX	SHELBY	1
TX	TRINITY	1
TX	TYLER	1
TX	WALKER	1

ZONE TWO—9 COUNTIES/PARISHES		
Moderate damage		
State	County / Parish	Zone
AL	MOBILE	2
LA	CALCASIEU	2
LA	CAMERON	2
LA	JEFFERSON	2
LA	PLAQUEMINES	2
LA	TANGIPAHOA	2
LA	WASHINGTON	2
TX	JEFFERSON	2
TX	ORANGE	2

ZONE THREE—6 COUNTIES/PARISHES		
Significant damage		
State	County / Parish	Zone
LA	ORLEANS	3
LA	ST. BERNARD	3
LA	ST. TAMMANY	3
MS	HANCOCK	3
MS	HARRISON	3
MS	JACKSON	3