

# Bulletin

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**TO:** All Freddie Mac Sellers and Servicers

June 4, 2007

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**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 Hurricane Katrina and Hurricane 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 five counties/parishes from Zone Two to Zone One
- Extend the expiration date for previously announced temporary selling requirements through December 31, 2007
- Extend the expiration date for previously announced temporary Servicing requirements through September 30, 2007
- Provide temporary payment history relief for Borrowers requesting cancellation of Borrower-paid mortgage insurance

## **SELLING AND SERVICING REQUIREMENTS**

### **Moving counties/parishes to different zones**

As a result of our evaluation of the extent of damage in the eligible Disaster Areas, we are moving the following five counties/parishes from Zone Two to Zone One:

- Mobile, AL
- Cameron, LA
- Tangipahoa, LA
- Washington, LA
- Jefferson, 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 July 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](#), [November 7, 2006](#) and [March 1, 2007 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 December 31, 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: Special selling requirements**

As announced in our [September 30, 2005 Bulletin](#), Sellers are reminded that when selling Mortgages affected by Hurricane Katrina and Hurricane Rita, Sellers must submit the special characteristics code (SCC) "821" on the [Form 11, Mortgage Submission Schedule](#), and [Form 13SF, Mortgage Submission Voucher](#), as applicable.

### **Reminder: Temporary selling requirements for Home Possible<sup>®</sup> 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](#), [November 7, 2006](#) and [March 1, 2007 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**

With this Bulletin, in addition to moving counties/parishes to zones more commensurate with the property damage in those areas, we are announcing that for Mortgages secured by properties located in eligible Disaster Areas affected by Hurricane Katrina and Hurricane Rita we are:

- Extending through September 30, 2007 the previously announced temporary servicing requirements
- Providing temporary payment history relief for Borrowers requesting cancellation of Borrower-paid mortgage insurance
- Reminding Servicers of factors to consider when extending forbearance

### **Effective date**

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

### **Previously announced temporary Servicing requirements**

With this Bulletin, we are extending the following temporary Servicing requirements through September 30, 2007:

- The temporary credit reporting requirements announced in our [February 10, 2006 Bulletin](#)
- The streamlined underwriting requirements for loan modifications
- The delegation to approve a short payoff
- Suspension of the Guide requirement to collect Borrower documentation to determine eligibility for a long-term forbearance
- With respect to Mortgages secured by properties located in Zone Three, the ability to continue to extend forbearance based on an individual assessment, without Freddie Mac approval
- With respect to Mortgages secured by properties located in Zone Two and Zone Three:
  - The requirement for Freddie Mac's prior approval on [Form 105, Multipurpose Loan Servicing Transmittal](#), before initiating or resuming foreclosure
  - The requirement for Freddie Mac's prior written approval to complete any lender-initiated property preservation work other than re-keying one entrance to a property when certain conditions are met

Servicers are still required to adhere to the Guide requirements for managing distressed properties found in [Sections 67.27](#) and [67.28](#) and [Guide Chapter 68](#), except as they are amended by the temporary requirements found in this Bulletin and the [March 1, 2007 Bulletin](#).

### **Temporary payment history relief for Borrowers requesting cancellation of Borrower-paid mortgage insurance**

In response to requests from our Servicers, we are providing temporary relief from the Guide payment history requirements for Borrowers requesting cancellation of Borrower-paid mortgage insurance.

For Mortgages secured by properties located in eligible Disaster Areas affected by Hurricane Katrina and Hurricane Rita, Servicers may disregard a delinquency occurring in the Mortgage payment history when a Borrower requests cancellation of Borrower-paid mortgage insurance if that delinquency was caused by either (a) Freddie Mac's publicly-announced automatic payment suspension or (b) an extended forbearance plan in the form of payment suspension or reduction granted to the Borrower if all of the following conditions are met:

- All suspended Mortgage payments have been made and the Mortgage is current as of the date of the Borrower's request to have the mortgage insurance cancelled
- To satisfy the evidence of value requirement, the property value used in calculating the LTV ratio must have been verified using one of the following methods (the Servicer may not warrant property value):
  - A current appraisal with an interior and exterior inspection ordered by the Servicer. The appraisal must comply with the requirements of [Chapter 44](#), and must be performed within 120 days of the date on which the Servicer received the Borrower's request to cancel mortgage insurance
  - With an interior and exterior Broker's Price Opinion (BPO) ordered by Freddie Mac and performed within 120 days of the date on which the Servicer received the Borrower's request to cancel mortgage insurance
- Any property damage has been repaired prior to the date of the Borrower's request

Except as set forth above, all requirements of [Sections 61.2](#) and [61.3](#), as applicable, must be met.

### **Factors to consider when extending forbearance**

Regardless of in which zone the property is located, we expect Servicers to determine the best course of action for the Borrower's circumstances and to work with Borrowers to provide assistance including, where appropriate, continued suspension or reduction of Mortgage payments.

As a reminder, when considering whether to extend a forbearance plan Servicers must take into consideration, at a minimum, the following factors:

- The Borrower's expressed desire and intention to retain the property, although the Borrower may not yet be able to resume making Mortgage payments
- Whether the Borrower has a pending insurance claim, has applied for or is awaiting receipt of grant funds
- Whether the Borrower has received insurance or grant funds and is in the process of rebuilding the home

Servicers must monitor the continuation of a forbearance plan closely.

If the Borrower cannot or does not want to retain ownership of the property, or there is no contact with the Borrower, Servicers must carefully evaluate the circumstances and determine in a timely manner whether:

- Loss mitigation alternatives such as a relief or workout option may be appropriate to resolve the Delinquency
- To recommend a charge-off in accordance with [Chapter B65](#)
- To initiate foreclosure in accordance with the temporary requirements of this Bulletin and [Chapter 66](#)

**Reminder: Assessment of prepayment penalties**

Servicers are reminded of our existing requirement to waive prepayment penalties pursuant to [B33.4](#) and [51.19](#) of the Guide if the 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.

**Reminder: Previously announced temporary Servicing requirements**

Servicers are reminded that they must continue to adhere to the temporary requirements announced with the [February 10, 2006](#), [May 1, 2006](#), [August 4, 2006](#), [November 7, 2006](#), and [March 1, 2007 Bulletins](#), except as they are amended by the temporary requirements contained in this Bulletin.

**CONCLUSION**

**Seller/Servicers should retain a copy of this Bulletin to ensure compliance with our requirements.**

We express our appreciation for the efforts of our Sellers and Servicers who continue to provide us with feedback regarding the extent of the damage and the financial affect Borrowers are facing as the impacted areas continue to recover.

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](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 and Deployment

**EXHIBIT A**

<b>ZONE ONE—109 COUNTIES/PARISHES</b>		
<b>Minimal to no damage</b>		
<b>State</b>	<b>County / Parish</b>	<b>Zone</b>
AL	BALDWIN	1
AL	CHOCTAW	1
AL	CLARKE	1
AL	GREENE	1
AL	HALE	1
AL	MARENGO	1
AL	MOBILE	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	CAMERON	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	TANGIPAHOA	1
LA	TERREBONNE	1
LA	VERMILION	1
LA	VERNON	1
LA	WASHINGTON	1
LA	WEST BATON ROUGE	1
LA	WEST FELICIANA	1
MS	ADAMS	1
MS	AMITE	1

<b>ZONE ONE (continued)</b>		
<b>State</b>	<b>County / Parish</b>	<b>Zone</b>
MS	ATTALA	1
MS	CHOCTAW	1
MS	CLAIBORNE	1
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

<b>ZONE ONE (continued)</b>		
<b>State</b>	<b>County / Parish</b>	<b>Zone</b>
TX	ANGELINA	1
TX	BRAZORIA	1
TX	CHAMBERS	1
TX	FORT BEND	1
TX	GALVESTON	1
TX	HARDIN	1
TX	HARRIS	1
TX	JASPER	1
TX	JEFFERSON	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

<b>ZONE TWO—4 COUNTIES/PARISHES</b>		
<b>Moderate damage</b>		
<b>State</b>	<b>County / Parish</b>	<b>Zone</b>
LA	CALCASIEU	2
LA	JEFFERSON	2
LA	PLAQUEMINES	2
TX	ORANGE	2

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