

Bulletin

NUMBER: 2007-2

TO: All Freddie Mac Sellers and Servicers

April 25, 2007

SUBJECTS

Both Selling and Servicing requirements are amended in this *Single-Family Seller/Servicer Guide* (Guide) Bulletin.

With this Bulletin, we are making the following changes to our [selling requirements](#):

- Advising Sellers that title insurance must be written on the [recently adopted American Land Title Association \(ALTA\) 2006 Loan Policy](#) for Mortgages originated on or after June 17, 2007, except in those States where State approval of the 2006 Loan Policy is required but has not yet been granted
- Making several [appraisal-related changes](#), including adding requirements for the re-use of an appraisal, appraising sites with excess acreage and use of the most current appraised value
- Revising Exhibit 22, Form of Additional Supplement - Prepayment Penalty Mortgages, and Exhibit 22A, Form of Additional Supplement - Convertible Adjustable-Rate Mortgages (ARMs), to reflect the [revised PC Offering Circular date](#) of March 19, 2007

We are making the following changes to our [selling and Servicing requirements](#):

- Updating the Guide to reflect a [departmental name change](#) from Document Custodial Services (DCS) to Document Custodial Operations (DCO)
- Making [general updates to several Directories](#)

We are making the following changes to our [Servicing requirements](#):

- Updating the Guide to permit Servicers to [request and collect certain Borrower loss mitigation documents electronically](#)
- Adding additional guidance regarding [prior approval for low balance charge-offs](#)
- Updating Exhibit 83, Freddie Mac Foreclosure Time Lines, to reflect a [change in Colorado foreclosure law](#)
- Updating Exhibit 57A, Approved Attorney Fees and Title Expenses, to [remind Servicers of those costs that we consider standard operating costs](#), which are not reimbursable

EFFECTIVE DATES

All of these changes are effective immediately except:

- **June 17, 2007**—Sellers must use the ALTA 2006 Loan Policy for all Mortgages originated on or after this date, except in those States where State approval of the 2006 Loan Policy is required but has not yet been granted
- **July 1, 2007**—The updated Colorado foreclosure time line listed in Exhibit 83 is effective for all new foreclosure referrals on or after this date

REVISIONS TO THE *SINGLE-FAMILY SELLER/SERVICER GUIDE*

The revisions include:

- [Chapters 6, 9, 16, 17, 18, 22, H33, 39, 44, 46, 50, 56, 65, A65, B65, 66, 72, 78, 80](#) and [83](#)
- [Exhibits 22, 22A, 28, 28A, 57A](#) and [83](#)
- [Glossary](#)
- [Directories 1, 4, 5](#) and [6](#)

CONCLUSION

The changes included in this Bulletin support our commitment to making the mortgage finance process simpler and more efficient for you, our Seller/Serviceicers. If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,



Patricia J. McClung
Vice President
Offerings Development

SELLING CHANGES

American Land Title Association adopts the 2006 Loan Policy

The American Land Title Association (ALTA) recently adopted the ALTA 2006 Loan Policy. The 2006 Loan Policy expands the insuring provisions (now defined as covered risks), reduces the exclusions from coverage, and makes the policy easier to read and interpret with simplified wording and more defined terms. Title insurance companies have submitted the 2006 Loan Policy to State insurance commissioners (where required) and it has been approved in many States.

The ALTA 2006 Loan Policy is now available (at the same cost as the 1992 ALTA policy) in all States except those States where review and approval by the State insurance commissioner is required and the policy has not yet been approved. In those States where the ALTA 2006 Loan Policy has been approved or where review and approval of new title insurance forms is not required, Sellers may begin using the ALTA 2006 Loan Policy immediately and must use the ALTA 2006 Loan Policy for all Mortgages originated on or after June 17, 2007, the date on which ALTA will decertify the ALTA 1992 Loan Policy. In those States where approval of new title insurance forms is required and the ALTA 2006 Loan Policy has not been approved, Sellers may continue to use the ALTA 1992 Loan Policy until the ALTA 2006 Loan Policy has been approved.

The ALTA Short Form Residential Loan Policy One-To-Four Family and all ALTA endorsements have been revised to correspond with the 2006 Loan Policy. ALTA is also offering its Form 7.1, Manufactured Housing endorsement. Sellers should use this Form where it is available.

Guide [Sections H33.7, 39.2 and 46.5](#) have been updated to reflect the adopted ALTA 2006 Loan Policy. More information regarding the recently adopted ALTA 2006 Loan Policy can be found on the ALTA web site at <http://www.alta.org/>.

Appraisal-related changes

Re-use of appraisals

In response to inquiries, we are updating the Guide to provide that Sellers may re-use an unexpired appraisal for a subsequent transaction if certain requirements—including Borrower requirements, property eligibility, transaction type and appraisal requirements—are met. [Section 44.7](#) has been updated to include these requirements.

Use of most current appraised value

We are updating [Section 44.7](#) to state explicitly that, if a Seller obtains a new appraisal, including an appraisal update, prior to the Freddie Mac Delivery Date, the Seller must use that appraised value for underwriting the Mortgage and determining the value of the Mortgaged Premises, and must deliver that appraised value to Freddie Mac.

In addition, Sellers must retain all collateral assessment documentation for the subject transaction in the Mortgage file.

Appraising excess acreage

Aligning with industry-accepted standards, we have updated the Guide to explicitly require that appraisers must appraise the subject property's entire site, regardless of the amount of acreage. In addition, the site description must accurately describe the entire site and any improvements to include outbuildings. Comparable sales should reflect the market's reaction to the acreage.

[Section 44.15](#) has been updated to reflect this change.

Revising Additional Supplements to reflect revised PC Offering Circular

Freddie Mac published a revised PC Offering Circular on March 19, 2007. [Exhibit 22, Form of Additional Supplement – Prepayment Penalty Mortgages](#), and [Exhibit 22A, Form of Additional Supplement – Convertible Adjustable-Rate Mortgages \(ARMs\)](#), are being updated to reflect the revised PC Offering Circular date.

SELLING AND SERVICING CHANGES

Renaming Document Custodial Services

The Guide is being updated to reflect a departmental name change from Document Custodial Services (DCS) to Document Custodial Operations (DCO).

We have also eliminated other obsolete department names.

General updates to the Directories

Several updates are being made to [Directories 1, 4, 5 and 6](#). These changes reflect updated Freddie Mac department names, phone numbers, fax numbers and e-mail addresses.

SERVICING CHANGES

Requesting and collecting loss mitigation documents electronically

In the course of reviewing a Borrower's situation to determine eligibility for a workout, a Servicer must ask the Borrower to prepare, sign and return documentation related to the Borrower's financial information and circumstances. These documents include Guide forms, explanation letters, stipulation agreements, partial reinstatement agreements and short-term/long-term forbearance agreements (collectively, loss mitigation documents).

Pursuant to [Section 1.3](#) of the Guide, Freddie Mac must consent to a Seller/Servicer conducting an electronic transaction with a third party in the Servicing of Mortgages for Freddie Mac. With this Bulletin, Freddie Mac is updating the Guide to permit Servicers to transmit copies of loss mitigation documents electronically to Borrowers from whom they have obtained express consent for electronic transactions in accordance with E-Sign, and to give those Borrowers a secure means of access through which the Borrowers may prepare, electronically sign and submit loss mitigation documents to the Servicer.

This enhancement permits the Servicer to either mail the Borrower a package that contains paper documents to be filled out, signed and returned to the Servicer via the mail, or to provide the Borrower the documents electronically.

Eligible loss mitigation documents are identified in [Section 50.3.1](#). A loan modification agreement is not a loss mitigation document; while a Servicer may transmit the agreement electronically to the Borrower, the Borrower must print, sign and return an original paper loan modification agreement to the Servicer.

[Sections 50.3.1](#), [65.24](#) and [B65.7](#), and [Chapter A65](#), are being updated to reflect this change.

More guidance regarding low balance charge-offs

In the [December 15, 2006 Bulletin](#), we announced that if a Mortgage is 120 days or more delinquent with an unpaid principal balance (UPB) of \$5,000 or less, Servicers must recommend that Mortgage for charge-off and may not advance escrow without our prior approval.

With this Bulletin, we are providing additional guidance that specifies prior approval for normal expenditures or advances is unnecessary if the Mortgage is current under a workout plan or court-ordered bankruptcy protection plan.

As a reminder, Servicers must immediately resume normal default Servicing activity if Freddie Mac denies the low balance charge-off.

[Section B65.50](#) has been updated with this additional detail.

Updating the foreclosure time line for Colorado

We are updating [Exhibit 83, Freddie Mac Foreclosure Time Lines](#), to reflect a change in Colorado foreclosure law that will allow Borrowers additional time to cure a default prior to foreclosure sale. This change will become effective when the law goes into effect July 1, 2007.

Updating Exhibit 57A, Approved Attorney Fees and Title Expenses

In [Exhibit 57A](#), we have added a reference to [Section 71.18](#) to remind Servicers of those costs that we consider standard operating costs for the Servicer, attorney or broker, which therefore are not reimbursable.

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