

# Bulletin

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TO: All Freddie Mac Sellers and Servicers

July 31, 2008

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## 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](#):

- Providing guidance regarding [2008 area median income changes](#)

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

- Providing additional information regarding the [suspension of Triad Guaranty Insurance Corporation](#), announced on June 19, 2008

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

- [Standardizing the foreclosure referral period](#) for all Mortgages to no later than the 120<sup>th</sup> day of delinquency
- [Increasing foreclosure time lines](#) in 21 States
- [Increasing workout compensation](#), discontinuing foreclosure time line compensation and not permitting Servicers to charge Borrowers a processing fee for loan modifications
- [Revising loan modification requirements](#) for delinquent Mortgages
- Expanding the [designated counsel/trustee program in Florida](#), as announced in an e-mail to Freddie Mac Servicers on June 23, 2008

We are also announcing [temporary requirements to reimburse Servicers](#) for utilizing the Borrower outreach methods of door hanging and door knocking services.

## Revisions to the Single-Family Seller/Servicer Guide

The revisions include:

- Chapters 64, B65 and 66
- Exhibit 83

## **SELLING CHANGES**

### **Area median income guidance**

*Effective date: October 1, 2008*

Each year, the Department of Housing and Urban Development (HUD) issues area median income estimates. HUD uses these estimates to determine Freddie Mac's performance under the affordable housing goals, and Sellers use these estimates to underwrite Home Possible<sup>®</sup> Mortgages.

HUD has now issued the 2008 area median income estimates. Sellers may use the 2008 estimates immediately, but must use them to originate Mortgages delivered to Freddie Mac on or after **October 1, 2008**.

Loan Prospector will be updated to reflect the 2008 area median income estimates on August 10, 2008.

Sellers should use the Affordable Income & Property Eligibility tool available on FreddieMac.com at <http://ww3.freddie.mac.com/ds2/sell/affgold.nsf/frmHomePage?OpenForm> to find out more about the area median limits. The tool has been updated to reflect the 2008 area median incomes.

## **SELLING AND SERVICING CHANGES**

### **Suspension of Triad Guaranty as an eligible Freddie Mac mortgage insurer**

Pursuant to our announcement on June 19, 2008, Exhibit 10, Freddie Mac-Approved Mortgage Insurers, has been updated to reflect that the approved mortgage insurer status of Triad Guaranty Insurance Corporation and its Freddie Mac-approved affiliates (collectively or individually, "Triad") is suspended. Mortgages with Triad commitments of insurance dated on or after July 15, 2008 will not be eligible for sale to Freddie Mac.

In addition, Mortgages with Triad commitments of insurance dated prior to July 15, 2008, whether for Borrower-paid or lender-paid insurance, must be delivered to Freddie Mac on or before **October 31, 2008**. With respect to Mortgages for Newly Constructed Homes, if the Triad commitment was issued before July 15, 2008, the Mortgage will be eligible for sale to Freddie Mac until July 14, 2009.

As a reminder, except in limited circumstances, Guide Section 61.7 prohibits transfers of the mortgage insurance coverage that is in effect at the time a Mortgage is sold to Freddie Mac. Because none of those circumstances apply in this instance, Freddie Mac Servicers do not need to take any action in connection with Mortgages that have already been sold to us, whether at renewal of the insurance or otherwise.

Exhibit 10 can be accessed on FreddieMac.com at [http://www.freddie.mac.com/sell/guide/mortgage\\_insurers.html](http://www.freddie.mac.com/sell/guide/mortgage_insurers.html)

We will continue to notify you of changes to Exhibit 10 in future Bulletins.

## **SERVICING CHANGES**

### **Effective Dates**

The changes to Servicing requirements included in this Bulletin are effective as follows:

**2008 Calendar Year** - The discontinuance of foreclosure time line compensation is effective beginning with the 2008 calendar year.

**July 1, 2008** - The three new Florida designated counsel firms - Law Offices of Daniel C. Consuegra; Law Offices of Marshall Watson, P.A.; and Kass, Shuler, Solomon, Spector, Foyle & Singer, P.A. – began accepting new program referrals on this date.

## **August 1, 2008**

- The foreclosure referral period is standardized to require Servicers to initiate foreclosure on all Mortgages no later than the 120<sup>th</sup> day of delinquency for all foreclosure referrals occurring on or after this date
- Foreclosure time lines are increased in 21 States for foreclosure sales occurring in these States on or after this date
- Increased workout compensation is effective for workouts settled and qualifying repayment plans on or after this date
- Revised loan modification guidelines for delinquent Mortgages are effective on this date

**August 1, 2008 through March 31, 2009** - The temporary requirements applicable to Servicer reimbursement for utilizing the Borrower outreach methods of door hanging and door knocking services apply to this period.

**September 1, 2008** - Servicers may not charge Borrowers a processing fee in connection with processing a loan modification approved on and after this date. However, Servicers are encouraged to incorporate this change immediately into their processes.

### **Standardizing the foreclosure referral period**

Effective for all foreclosure referrals occurring on or after August 1, 2008, we are standardizing our foreclosure referral time line requirements to provide that Servicers must initiate foreclosure on all Mortgages, including Second Mortgages, Home Improvement Loans (HILs) and previously modified Mortgages, no later than 150 days from the Due Date of Last Paid Installment (DDLPI) (which is the 120<sup>th</sup> day of delinquency). Prior to this change, we required Servicers to initiate foreclosure on Second Mortgages/HILs and previously modified Mortgages no later than the 90<sup>th</sup> day of delinquency and all other Mortgages no later than the 120<sup>th</sup> day of delinquency.

For Servicers who use Early Indicator<sup>®</sup>, this change also applies to Mortgages that are scored as high risk through Early Indicator and this Bulletin amends the Early Indicator Work Rules Agreement to reflect this change.

This change provides Servicers additional time to pursue alternatives to foreclosure with Borrowers before the Borrower incurs the legal fees and costs associated with a referral to foreclosure.

Sections 64.6, 66.9 and 66.10 have been updated to reflect this change.

### **Increasing foreclosure time lines in 21 States**

In order to provide Borrowers additional time to work with their Servicers to explore alternatives to foreclosure, we are increasing foreclosure time lines in 21 States. This change is effective for foreclosure sales occurring in those States on or after August 1, 2008. With these changes, the foreclosure time lines in these States have been increased to 300 days.

Exhibit 83, Freddie Mac State Foreclosure Time Lines — In Calendar Days, is being updated to reflect these time line changes.

### **Increasing workout compensation and discontinuing foreclosure time line compensation**

The current market environment is placing significant challenges on Servicers as they attempt to work with the increasing numbers of delinquent Borrowers who are struggling to make their Mortgage payments and keep their homes. Freddie Mac is committed to helping these Borrowers pursue alternatives to foreclosure and recognizes the strain that the high volume of delinquent Mortgages is placing on Servicers. Therefore, we are increasing the workout compensation we pay Servicers for certain successful workouts to compensate them for their extra efforts and to further provide incentives for them to aggressively pursue alternatives to foreclosure with these Borrowers.

Effective for workouts settled and qualifying repayment plans on and after August 1, 2008, we will increase Servicer workout compensation as follows:

- For loan modifications, from \$400 to \$800
- For short payoff and make-whole preforeclosure sales, from \$1,100 to \$2,200
- For repayment plans, from \$250 to \$500 (See Section 65.42 for information on how we determine if a repayment plan qualifies for compensation.)

Servicer compensation for deeds-in-lieu of foreclosure will remain at the current level of \$275.

In addition, with this increased focus on workouts, we are eliminating foreclosure time line compensation. Since foreclosure time line compensation is based on a Servicer's performance over a calendar year and paid on an annual basis, this change will be effective beginning with the 2008 calendar year.

Finally, effective for loan modifications approved on and after **September 1, 2008**, Servicers may not charge Borrowers a processing fee in connection with the processing of a loan modification. While this requirement is not effective until September 1, Servicers should make every effort to incorporate this requirement into their processes immediately.

Sections B65.8, B65.14, B65.22 and 66.33 are being updated to reflect these changes.

### **Revisions to loan modification requirements**

We are continually exploring opportunities to make it easier and less costly for Borrowers to obtain a workout loan modification and to further streamline the loan modification process for our Servicers. As part of that effort, effective August 1, 2008, we are revising our loan modification requirements for delinquent Mortgages to:

- Define the instances in which the loan modification agreement must be completed in recordable form
- Increase the capitalization threshold from \$15,000 to \$20,000, for purposes of determining whether title insurance and recordation of the loan modification are required
- Revise the Mortgage term extension parameters under which recordation of the loan modification agreement is required
- Eliminate the requirement that, in order for a Mortgage to be eligible for a loan modification, the Mortgage must not have been previously modified

#### *Document form*

Since recordation is not required for most loan modification agreements, we are specifying the instances in which the agreement should be prepared in a recordable form. Streamlining the documentation format for loan modifications allows Servicers to reduce administrative tasks associated with preparing all modification agreements for recording.

As a result, we are revising Guide Chapter B65 to require that the agreement must be prepared in a recordable form if:

- State or local law requires the modification agreement be recorded to be enforceable
- The Mortgaged Premises is located in New York
- The modification agreement must be recorded pursuant to Section B65.20 (1)(d)
- The Servicer's practice for modifying Mortgages in its own portfolio is to create modification agreements in recordable form

### *Recordation and title requirements*

We are increasing the capitalization threshold for requiring title insurance and recordation of a modification agreement from \$15,000 to \$20,000 (aggregate capitalized amount of all modifications of the Mortgage). Additionally, with respect to the modifications that involve a term extension, we are revising the circumstances under which recordation is required. Under the revised requirements, the loan modification agreement must be recorded if the remaining term on the Mortgage is less than or equal to 10 years and the Mortgage term is being extended more than 10 years beyond the original maturity date. Previously, recordation was required when the term was being extended more than seven years from the original maturity date.

As a reminder, Servicers must send an original loan modification agreement to their Document Custodian (or, if the Note is held by Freddie Mac's Document Custodial Operations (DCO), to DCO, as applicable) pursuant to the requirements listed in Section B65.25.

### *Mortgage eligibility requirements for loan modification*

Effective August 1, 2008, we are also revising the Guide to eliminate the requirement that in order for a Mortgage to be eligible for a loan modification it must not have been previously modified under our loan modification workout option. Servicers will now be able to submit to us a recommendation for approval to modify a previously modified Mortgage, as long as the Mortgage meets the additional eligibility requirements specified in Chapter B65. This revision provides additional opportunities for Borrowers experiencing difficulty in bringing their Mortgage current to pursue a workout loan modification.

Sections B65.15, B65.20 and B65.24 have been updated to reflect this change.

### **Expansion of designated counsel/trustee program in Florida**

Over the past year, we have expanded our designated counsel program in several States to offer Servicers additional choices. On June 23, 2008, we announced via e-mail the addition of the following firms to the designated counsel program in Florida: Law Offices of Daniel C. Consuegra; Law Offices of Marshall Watson, P.A.; and Kass, Shuler, Solomon, Spector, Foyle & Singer, P.A. These firms began accepting new program referrals on July 1, 2008.

The designated counsel/trustee list, available on FreddieMac.com at [http://www.freddiemac.com/service/msp/design\\_counsel.html](http://www.freddiemac.com/service/msp/design_counsel.html), has been updated to reflect these changes.

### **Temporary requirements to reimburse Servicers for Borrower outreach methods**

In an effort to increase contact rates with delinquent Borrowers during this time of unprecedented high delinquency and foreclosure rates, beginning **August 1, 2008 through March 31, 2009**, Freddie Mac will reimburse Servicers for the Borrower outreach methods of utilizing a door hanging service or door knocking service, in accordance with the criteria defined in [Exhibit A](#), Temporary Requirements for Servicer Reimbursement of Certain Borrower Outreach Expenses. For the Servicer to be eligible for reimbursement of these expenses:

- The Mortgage must be at least 90 days delinquent and there must have been no prior Borrower contact; and
- The outreach activities must be performed by an independent third party vendor that is neither associated with the Servicer nor is an affiliate of the Servicer.

The detailed temporary requirements are described in [Exhibit A](#) of this Bulletin. Servicers should refer to this exhibit to ensure compliance with the temporary expense reimbursement requirements.

There are no Guide revisions related to the Servicer reimbursement for Borrower outreach methods, since the requirements are temporary.

## CONCLUSION

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

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia J. McClung". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Patricia J. McClung  
Vice President  
Customer Outreach and Offerings Deployment