

# Bulletin

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NUMBER: 2007-5

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TO: All Freddie Mac Sellers and Servicers

December 19, 2007

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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](#):

- Updating the Guide to reflect the [maximum original loan amounts](#) for Mortgages eligible for sale to Freddie Mac effective January 1, 2008
- Providing Sellers the additional option of [executing and delivering Master Agreement and Master Commitment Contract signature pages](#) via e-mail as an Electronic Record
- Making several changes to [Exhibit 10, Freddie Mac-Approved Mortgage Insurers](#), and moving this exhibit to FreddieMac.com

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

- Adding a [compliance with law requirement](#) specifically requiring Seller/Servicers to comply with data privacy-related laws
- Refining the reasons for [Seller/Servicer disqualification and suspension](#)
- Updating the Guide to address a Seller/Servicer's [obligation to provide Mortgage information](#) to a credit enhancer when Freddie Mac obtains credit enhancements on Mortgages we purchase

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

- Updating our [Designated Counsel/Trustee list's State-specific documentation](#) and requiring that Servicers submit this documentation to Designated Counsel within two days of referral
- Eliminating the requirement that Servicers send us a copy of the [executed Loan Modification Agreement](#) on a completed loan modification
- Specifying that our [Investor Accounting area will supply Servicers with the charge-off form](#) containing the amount to be charged off on the loan
- Introducing a separate expense code to [Exhibit 74, Expense and Income Codes to the Form 104SF](#), so that Servicers may more easily request expense reimbursement when the primary insurance policy excluded windstorm coverage
- [Revising and updating several Servicer forms](#)
- [Updating the Directory](#) to reflect new contact information for inquiries regarding Balloon/Reset Mortgages and to reflect recent Freddie Mac departmental moves

## Effective Dates

All of these changes are effective immediately except:

- **November 18, 2007** – [Exhibit 18, Loan Prospector Price Structure](#), has been updated to reflect Loan Prospector® fee changes associated with the [November 5, 2007 Bulletin](#), which were effective as of this date
- **January 1, 2008** – Seller/Servicers may deliver Mortgages up to the 2008 loan limits to Freddie Mac on and after this date. Mortgages up to the 2008 loan limits that are sold through the Selling System may have Funding and Settlement Dates on and after this date.
- **April 1, 2008** – Privacy-related requirements become effective on this date

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

The revisions include:

- [Chapters 5, 6, 12, 23, 46, 51, 53, B65, 66](#) and [83](#)
- [Exhibits 10, 18](#) and [74](#)
- [Forms 16SF, 1034T, 1036, 1126, 1126SP](#) and [1132](#)
- [Directories 1, 3](#) and [5](#)

## Conclusion

The changes included in this Bulletin support our commitment to making the mortgage finance process simpler and more efficient for you, our Seller/Servicers. 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  
Customer Outreach and Offerings Deployment

## SELLING CHANGES

### 2008 Freddie Mac conforming loan limits

Increases in Freddie Mac's loan limits are tied to the October-to-October increase in the national average price of one-family conventionally financed homes as published by the Federal Housing Finance Board (FHFB). While the FHFB reported a 3.49 percent decrease in the average home price between October 2006 and October 2007, in light of the October, 2007 statement released by the Office of Federal Housing Enterprise Oversight, and to foster stability and liquidity in the home financing system for our Sellers and for borrowers, we are maintaining our loan limits at the 2007 levels.

[Guide Chapter 23](#) has been updated to reflect the 2008 loan limits.

## **Execution of Master Agreements and/or Master Commitments via e-mail**

In [Bulletin 2006-2](#), we updated the Guide to incorporate requirements that permitted Sellers to execute and deliver a copy of a Master Agreement and Master Commitment Contract signature page via facsimile transmission. We are now updating the Guide to provide Sellers the additional option of executing and delivering a copy of the contract signature page as an Electronic Record attached to an e-mail. The e-mail must be sent to an e-mail address specifically and expressly authorized by Freddie Mac that we provide to the Seller.

[Guide Section 12.1](#) has been revised to reflect this change.

## **Updating Exhibit 10, Freddie Mac-Approved Mortgage Insurers**

[Exhibit 10](#) has been updated to remove Private Residential Mortgage Insurance Corporation (formerly FGIC Mortgage Insurance Company) as a Freddie Mac-approved mortgage insurer. In addition, a footnote used to indicate that a mortgage insurer will insure Balloon/Reset Mortgages has been removed, as it is no longer relevant.

[Exhibit 10](#) has also been moved from the Guide to FreddieMac.com. It can now be accessed at: [http://www.freddiemac.com/sell/guide/mortgage\\_insurers.html](http://www.freddiemac.com/sell/guide/mortgage_insurers.html)

We will continue to notify you of changes to [Exhibit 10](#) in future Guide Bulletins.

## **SELLING AND SERVICING CHANGES**

### **Privacy-related requirements**

We are adding requirements to the Guide regarding compliance with applicable laws and regulations related to data privacy and a Servicer's obligation when there is an incident comprising the security of a Borrower's personal information. These requirements will become effective April 1, 2008.

#### *Responsibilities of Sellers and Servicers*

We are updating the Guide to expressly require Seller/Servicers to comply with all applicable laws and regulations related to data privacy and the safeguarding of Borrower personal information. We are also updating [Form 16SF, Annual Eligibility Certification Report](#), to include a separate certification and acknowledgement statement of the Seller/Servicer's compliance with all privacy regulations.

#### *Responsibilities of the Servicer*

The Guide is also being updated to require that a Servicer:

- Maintain an Incident Response Program and notify Freddie Mac if the integrity of a Borrower's nonpublic personal information has been breached
- Cooperate with Freddie Mac by providing all information and assistance when requested to enable us to comply with our own legal obligations related to the Borrower's nonpublic personal information
- Permit Freddie Mac to conduct monitoring as needed to confirm that the Servicer has procedures in place which satisfy its obligations to comply with all applicable federal, State and local laws related to data privacy and the safeguarding of personal information

[Chapters 6, 51, 53, Directory 1](#) and [Form 16SF](#) will be updated to reflect these changes.

### **Seller/Servicer disqualification or suspension**

With this Bulletin we are refining existing reasons for disqualification or suspension of a Seller/Servicer to include a weakness or change in the Seller's or Servicer's management that could adversely affect Freddie Mac and a judgment, order, finding or regulatory action to which a Seller's or Servicer's management is subject that adversely impacts a Seller's or Servicer's ability to comply with the Purchase Documents.

[Section 5.2](#) is being updated to reflect this change.

## **Credit enhancer postfunding review**

We are adding new [Section 46.1.1](#) to the Guide, which addresses a Seller/Servicer's obligations to provide Mortgage information to a credit enhancer when Freddie Mac obtains a credit enhancement on Mortgages we purchase.

## **Exhibit 18 updated to reflect fee changes**

We have made several changes to Loan Prospector fees related to the Loan Prospector changes we announced in the [November 5, 2007 Bulletin](#) regarding recently established credit repository requirements. These fee changes became effective November 18, 2007. [Exhibit 18](#) has been updated to reflect these fee changes.

## **SERVICING CHANGES**

### **Documents required by designated counsel and Servicer time frame for providing these documents**

Working closely with designated counsel, we have updated the Designated Counsel/Trustee list to provide you with further detail on the State-specific documentation required by designated counsel in each State to file their first legal action. For example, in many States, designated counsel must have the intervening assignments and endorsements for a Mortgage. Refer to the updated list for complete requirements for State-specific documentation. The Designated Counsel/Trustee List is located on FreddieMac.com at [http://www.freddie.com/service/msp/design\\_counsel.html](http://www.freddie.com/service/msp/design_counsel.html).

We hold designated counsel to high performance standards and when foreclosure is the only option, we require that they foreclose as quickly as possible. Currently, in some States we require Designated Counsel to file the first legal action within two days of referral. However, Servicers will now be required to send the State-specific documentation to designated counsel within two days of referral, regardless of the State in which the Mortgaged Premises are located. This change is reflected on the Designated Counsel/Trustee list.

As a reminder, as one of the benefits of using designated counsel, Servicers are eligible for a credit to their Servicer Performance Profile. By complying with this new requirement, Servicers will be further contributing to their foreclosure time line performance.

### **Reduced documentation requirements**

Effective immediately, Servicers are no longer required to send us a copy of the executed Loan Modification Agreement on a completed loan modification. Instead, Servicers will only be required to send us the signed Loss Mitigation Transmittal Worksheet reflecting the terms of the approved loan modification. Due to this change in process, it is imperative that Servicers complete the Loss Mitigation Transmittal Worksheet and the Loan Modification Agreement accurately reflecting the terms specified in our approval.

Servicers are still required to submit the original executed Loan Modification Agreement reflecting the terms of our approval to either the document custodian or Document Custodial Operations, and to the recorder's office (as applicable). The Servicer must also retain an original executed Loan Modification Agreement in their Mortgage file.

[Section B65.25](#) has been updated to reflect this change.

### **Additional detail for the third party sale charge-off process**

We are updating the Guide to specify that our Investor Accounting area will supply a Servicer's investor reporting department with the charge-off form containing the amount to be charged off on a Mortgage. Our Third Party Sales Group will continue to review claim packages, as well as serve as the point of contact should a Servicer need to discuss the charge-off form received from us.

## **New expense code for supplemental windstorm coverage**

New expense code 064000, Supplemental Windstorm Coverage, has been added to [Exhibit 74, Expense and Income Codes to the Form 104SF](#). By using code 064000, Servicers can more easily request expense reimbursement when the primary insurance policy excluded windstorm coverage and the Servicer was required to obtain a secondary insurance policy.

## **Updating Servicer forms**

Several Servicer forms in the Guide are being updated in order to provide more detailed instructions, additional data fields and revised contact information, including e-mail addresses, mailing address and fax numbers.

Forms being updated include:

- [Form 16SF, Annual Eligibility Certification Report](#)
- [Form 1034T, Subsequent Transfer Custodial Certification Schedule](#)
- [Form 1036, Request for Release of Documents](#)
- [Form 1126, Borrower Financial Statement](#)
- [Form 1126SP, Forma Financiera Del Prestatario](#)
- [Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House \(ACH\)](#)

## **Updates to the Directory**

### *Correspondence regarding Balloon/Reset Mortgages*

We recently established an e-mail address and central fax number to be used exclusively for inquiries related to Balloon/Reset Mortgages. The new e-mail box and fax number may be used to contact us with questions and reset requests, and also to send us any documents needed to resolve Balloon/Reset loan issues. [Directories 3](#) and [5](#) have been updated to include this new contact information.

### *General updates*

[Directories 1](#), [3](#) and [5](#) have been updated to reflect several Freddie Mac departmental moves.