

# Bulletin

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NUMBER: 2008-3

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TO: All Freddie Mac Sellers and Servicers

June 17, 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](#):

- Reinforcing the requirement that Sellers must provide the [amount and source of all secondary financing](#) for Mortgages sold to Freddie Mac
- Revising the Uniform Instruments to [incorporate new State laws and authorized changes](#) that are applicable to these instruments
- Reinforcing the requirement that the [Mortgage file contain all relevant title policy endorsements](#)
- Adding a reference to [Texas Constitution Article XVI Section 50](#), which describes the determination of fair market value for Texas Equity Section 50(a)(6) Mortgages

We are also announcing that our **temporary selling requirements for Mortgages affected by Hurricane Katrina and Hurricane Rita will not be extended**, and reminding Sellers that our temporary special collateral requirements for these Mortgages remain in effect until further notice.

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

- Updating existing Seller/Servicer obligations to comply with all applicable laws and regulations by adding a specific reference to compliance with [The Bank Secrecy Act, the Money Laundering Control Act and Title III of the USA PATRIOT Act](#)

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

- Extending our [Maryland and Massachusetts foreclosure time lines](#) in response to recent changes in foreclosure law
- Providing additional guidance regarding [reimbursement of condominium, homeowners association \(HOA\) and PUD special assessments](#)
- Updating the designated counsel/trustee list to [remove a New Jersey designated counsel](#)
- Revising and moving instructions to Servicers regarding their obligation to [notify Freddie Mac in the event a disaster affects their operations](#)
- Revising the Guide to reflect that [all property valuation requests must be submitted to us via our BPOdirect® web site](#)

- [Removing Section 81.4, Preparation of documents for delivery of Second Mortgages](#), as we do not currently purchase Second Mortgages
- Updating the Guide to reflect the [new address for BPO cost reimbursements and REO redemption proceeds](#), which resulted from the JP Morgan Chase acquisition of Bank One

### Effective Dates

All of these changes are effective immediately except:

- **April 1, 2008** – The Maryland time line change is effective for all foreclosure sales on or after this date
- **May 1, 2008**
  - The Massachusetts time line change is effective for all foreclosure sales on or after this date
  - Former New Jersey designated counsel firm of Stern, Lavinthal, Frankenberg & Norgaard, L.L.C. ceased accepting new referrals under the designated counsel program as of this date
- **June 30, 2008 – September 30, 2008**
  - Mortgages affected by Hurricane Katrina and Hurricane Rita, originated under our temporary relief and flexibility for Borrower credit reputation and capacity and loan-to-value (LTV)/total LTV (TLTV)/home equity line of credit TLTV (HTLTV) ratio limits must have Note Dates on or before June 30, 2008, and must be delivered to Freddie Mac on or before September 30, 2008
  - Home Possible<sup>®</sup> Mortgages secured by properties located in eligible Disaster Areas affected by Hurricane Katrina and Hurricane Rita, originated subject to the median income exemption, must have Note Dates on or before June 30, 2008, and must be delivered to Freddie Mac on or before September 30, 2008

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

The revisions include:

- [Chapters 2, 6, 24, 25, 46, 51, 53, 56, 64, 65, 66, 68, 71](#) and [81](#)
- [Exhibits 4, 5, 75](#) and [83](#)
- [Directories 4](#) 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**

### **Delivering secondary financing information**

We are revising [Guide Section 25.1\(e\)](#) to reinforce the requirement that Sellers provide the amount and source of all secondary financing for Mortgages sold to Freddie Mac. This will help to ensure calculation of an accurate total loan-to-value ratio.

### **Changes to the Uniform Instruments**

We are revising [Exhibit 4, Single-Family Uniform Instruments](#); and [Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application](#); to incorporate new State laws and authorized changes that are applicable to these instruments.

Specifically, [Exhibit 5](#) is being revised to:

- Include specific MERS sample language for New Mexico Security Instrument
- Include authorized changes for the Massachusetts Security Instrument
- Include an authorized change for the Maine Note
- Correct an authorized change for the West Virginia Initial Interest<sup>SM</sup> Mortgage Note
- Remove authorized changes for the Florida Security Instrument

### **Mortgage file requirements**

We are revising postsettlement quality control review requirements, with respect to title insurance, in [Section 46.5](#) to reinforce the requirement that the Mortgage file contain all relevant title policy endorsements.

### **Fair market value for Texas Equity Section 50(a)(6) Mortgages**

A cross-reference to Texas Constitution Article XVI Section 50, which describes the determination of fair market value, is being added to [Section 24.8](#), relating to the appraisal requirements for Texas Equity Section 50(a)(6) Mortgages.

### **Temporary selling requirements for Mortgages affected by Hurricane Katrina and Hurricane Rita**

Our temporary selling requirements for Mortgages affected by Hurricane Katrina and Hurricane Rita will not be extended beyond their previously announced deadlines. However, our temporary special collateral requirements remain in effect until further notice.

#### *Temporary selling requirements*

The temporary underwriting relief and flexibility for Borrower credit reputation and capacity and the LTV/TLTV/HTLTV ratio limits announced in our [special September 30, 2005 Bulletin](#) (amended by subsequent special Bulletins), effective for Mortgages with Note Dates on or after August 30, 2005 through June 30, 2008 (for Hurricane Katrina), or September 25, 2005 through June 30, 2008 (for Hurricane Rita), will not be extended. These temporary requirements will not apply to Mortgages with Note Dates on or after **July 1, 2008**.

Sellers are reminded that Mortgages originated under these requirements must have Note Dates on or before June 30, 2008 and must be delivered on or before **September 30, 2008**.

### *Temporary selling requirements for Home Possible Mortgages*

Freddie Mac 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 on or before June 30, 2008. This temporary change will also not be extended. Therefore, Home Possible Mortgages with Note Dates on or after **July 1, 2008** that are secured by properties located in eligible Disaster Areas affected by Hurricane Katrina and Hurricane Rita must comply with the median income limits described in [Section A34.7](#).

Sellers must deliver Home Possible Mortgages originated subject to the Hurricane Katrina/Hurricane Rita median income exemption to Freddie Mac on or before **September 30, 2008**.

### *Temporary special collateral requirements*

We are reminding Sellers that the temporary special collateral requirements announced in our [special September 30, 2005 Bulletin](#), as modified in our [special May 1, 2006 Bulletin](#), remain in effect until further notice. Such requirements continue to apply to:

- Mortgages secured by damaged properties located in Zone One
- Mortgages secured by properties located in Zone Two and Zone Three, regardless of the condition of the property

In the event of a conflict between these requirements and the requirements of a Seller's Purchase Documents, the more restrictive requirements apply.

Because these requirements apply to a Mortgage based on the location of the property securing that Mortgage, we will continue to maintain and update information regarding the three zones established in our [special February 10, 2006 Bulletin](#). The counties/parishes and their assigned zone numbers remain unchanged from the version published in our [special December 5, 2007 Bulletin](#). Updates to [Exhibit A to our special December 5, 2007 Bulletin](#), which includes counties/parishes and their assigned zone numbers, will be published with future Bulletins.

### *Delivery requirements – Mortgages affected by Hurricane Katrina and Hurricane Rita*

Sellers are reminded that when selling Mortgages affected by Hurricane Katrina and Hurricane Rita, Sellers must submit the special characteristics code 821 on [Form 11, Mortgage Submission Schedule](#), and [Form 13SF, Mortgage Submission Voucher](#), as applicable.

## **SELLING AND SERVICING CHANGES**

### **Ensuring compliance**

[Sections 6.2](#) and [53.8](#) – which require Seller/Servicers to comply with all applicable federal, State and local laws, ordinances, regulations and orders – are being updated to add a specific reference to compliance with The Bank Secrecy Act, the Money Laundering Control Act and Title III of the USA PATRIOT Act. These changes do not impose any additional compliance obligations on Sellers and Servicers.

## SERVICING CHANGES

### Extending foreclosure time lines in Maryland and Massachusetts

We are extending our allowable foreclosure time lines in Maryland and Massachusetts in response to recent changes in foreclosure law.

#### *Maryland*

We have increased our Maryland foreclosure time line by 55 days to allow for a new Maryland State law requiring a 45-day notice of intent to foreclose. Our new time line is retroactive to **April 1, 2008**, and applies to all foreclosure sales in Maryland on or after this date.

#### *Massachusetts*

The increase in our Massachusetts foreclosure time line by 60 days reflects a new Massachusetts State law requiring a 90-day notice of right to cure default on all Mortgages referred to foreclosure. Our new time line is retroactive to **May 1, 2008**, and applies to all foreclosure sales in Massachusetts on or after this date.

[Exhibit 83, Freddie Mac State Foreclosure Time Lines](#), is being updated to reflect these new foreclosure time lines.

### Reimbursement of condominium, HOA and PUD special assessments

We are providing additional guidance regarding the reimbursement of condominium, homeowners association (HOA) and PUD special assessments. Servicers are required to pay post-foreclosure condominium, HOA and PUD regular *and* special assessments from foreclosure sale through REO settlement.

Currently, the Guide indicates that regular condominium, HOA and PUD expenses are reimbursable if they are incurred after the foreclosure sale date. We are updating the Guide to provide that Freddie Mac will also reimburse post-foreclosure condominium, HOA and PUD special assessments if they are incurred on or after the foreclosure sale date through REO Settlement.

[Section 71.13](#) and [Exhibit 75, Adjustment Codes for Forms 104SF and 104DC](#), are being updated to reflect this change.

### Update to the designated counsel program in New Jersey

As of **May 1, 2008**, Stern, Lavinthal, Frankenberg & Norgaard, L.L.C. in New Jersey ceased accepting new referrals under the designated counsel program.

The designated counsel/trustee list, available on FreddieMac.com at [http://www.freddiemac.com/service/msp/desig\\_counsel.html](http://www.freddiemac.com/service/msp/desig_counsel.html), has been updated to reflect this change.

### Obligation to notify Freddie Mac in the event of a disaster impacting Servicer's operations

We are revising the instructions to Servicers regarding their obligation to notify Freddie Mac in the event a disaster affects their operations and moving those instructions from [Guide Chapter 68](#) (which addresses damage to properties securing Mortgages owned by Freddie Mac, resulting from a disaster) to [Section 51.1](#) (which addresses Servicers' general responsibilities).

Servicers should contact (800) FREDDIE within 24 hours of a disaster that affects or interrupts their operations.

### Obtaining a property valuation through BPOdirect

[Section 65.39](#) is being revised to reflect that all requests for property valuations must be submitted to us by Servicers via our BPOdirect web site, available at <https://bpodirect.net>.

### **Certification of completion of a transfer of servicing**

Transferee Servicers are no longer required to provide a separate written certification that a transfer of servicing is complete, as previously required by [Section 56.6\(c\)](#).

We are updating [Directory 4](#) to reflect this change.

### **Removing Section 81.4, Preparation of documents for delivery of Second Mortgages**

We are removing [Section 81.4, Preparation of documents for delivery of Second Mortgages](#), from the Guide as we currently do not purchase Second Mortgages and because Form 713, Second Mortgage Submission Voucher, is no longer in use.

The remaining sections of [Chapter 81](#) remain in place to provide guidance on servicing any Second Mortgages/Home Improvement Loans owned by Freddie Mac.

### **New address for remitting BPO cost reimbursements and REO redemption proceeds**

We are updating the Guide to reflect the new address for remitting BPO cost reimbursements, which resulted from the JP Morgan Chase acquisition of Bank One, NA, and to change the “Bank One” reference in the address for remitting REO redemption proceeds to “JP Morgan Chase.”

[Sections 65.40.1](#) and [66.58](#) are being updated to reflect this change.

### **Utilizing face-to-face interviews as a collection technique**

We are updating [Chapter 64](#) to emphasize that face-to-face interviews are a personal contact option, and not a stand-alone collection technique that a Servicer must employ when attempting to contact a Borrower to bring a delinquent Mortgage current.

Regardless of which technique is chosen to make right-party contact, Servicers must use the collection techniques set forth in [Section 64.5](#) in any attempt to bring a delinquent Mortgage current.

[Sections 64.5](#) and [64.6](#) have been updated to reflect this guidance.