

Bulletin

NUMBER: 2008-6

TO: All Freddie Mac Sellers and Servicers

December 18, 2008

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 [2009 maximum original loan amounts](#) for Mortgages eligible for sale to Freddie Mac:
 - Maintaining base conforming loan limits for 2009 at the current levels
 - Increasing conforming loan limits for Mortgages secured by properties in certain high-cost areas (super conforming Mortgages) and revising loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit TLTV (HTLTV) ratio requirements for super conforming Mortgages secured by 1-unit properties located in designated high-cost areas where the maximum loan limit exceeds \$625,500
- Making changes regarding the [Uniform Instruments](#), including updating revision dates for the Arizona Deed of Trust and the District of Columbia Deed of Trust, and updating authorized changes for the Maine Note
- Making minor changes to our [State anti-predatory lending requirements](#)

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

- Updating the Guide to reflect the [new protections that are available to service members](#) under the Servicemembers Civil Relief Act (SCRA)
- Standardizing our [breach letter requirements](#) across all Mortgages by requiring that breach letters be sent out no later than the 60th day of delinquency on modified Mortgages and Second Mortgages/HILs, in addition to First Lien Mortgages
- Updating the Guide to reinforce our requirement that Servicers have and maintain a [Business Continuity Plan](#)
- Making the following changes to our [expense reimbursement process and requirements](#):
 - Requiring Servicers to submit most expense reimbursement requests via our Online Reimbursement System
 - Announcing that any fees due to Freddie Mac as a result of expense reimbursement audit findings will be billed on the Servicer Non-Performing Loans Invoice

- ❑ Creating a separate expense code for situations where the insurer requires a police or fire department report as documentation for an insurance claim
- ❑ Updating Exhibit 57A, Approved Attorney Fees and Title Expenses, to include an approved attorney fee of \$500 for non-judicial foreclosures in Nebraska
- Making the following changes to our [investor reporting process and requirements](#):
 - ❑ Requiring that Servicers use Investor Accounting ManagerSM (IAM) to retrieve certain reports that are currently mailed, faxed or e-mailed to them by our Performing Loans area
 - ❑ Raising the threshold for reporting a correction to a previously reported overstatement of principal reduction
 - ❑ Revising the Guide to provide that corrections to the Seller/Servicer Remittance Analysis will be reflected on the most current Seller/Servicer Remittance Analysis; we will no longer be adjusting prior accounting cycle statements
- Reminding Servicers of a [new designated counsel firm in Ohio](#)
- Updating certain [Directory fax numbers and form references](#)

Document Custody Procedure Handbook – now available on AllRegs

In addition to the changes listed above, we are announcing that the Document Custody Procedure Handbook is now available on AllRegs. The Document Custody Procedure Handbook provides Custodians and Seller/Servicers with the Freddie Mac procedures and guidelines necessary to facilitate the Custodian's certification and subsequent custody of Freddie Mac documents. We encourage all Seller/Servicers and Custodians to review and use the handbook as a tool to ensure timely and accurate certification and maintenance of documents for Freddie Mac.

The handbook will also continue to be available on FreddieMac.com at <http://www.freddiemac.com/cim/handbook.html>.

Effective Dates

All of these changes are effective immediately except:

- **January 1, 2009**
 - ❑ Seller/Servicers may deliver Mortgages up to the 2009 base conforming loan limits to Freddie Mac on and after this date. Mortgages up to the 2009 base conforming loan limits that are sold through the Selling System may have Funding and Settlement Dates on and after this date.
 - ❑ Servicers must send breach letters to delinquent Borrowers no later than the 60th day of delinquency on modified Mortgages and Second Mortgages/HILs, beginning on this date
- **January 2, 2009** – Super conforming Mortgages with Note Dates on and after October 1, 2008, up to the 2009 super conforming loan limits, may have Funding and Settlement Dates on and after this date
- **February 1, 2009** – Servicers will be billed for any new expense reimbursement audit findings on the Servicer Non-Performing Loans Invoice beginning on this date
- **March 1, 2009** – Servicers will be required to submit most expense reimbursement requests to us via our Online Reimbursement System beginning on this date
- **April 1, 2009** – Servicers must use IAM to retrieve certain reports, which are currently mailed, faxed or e-mailed to them by our Performing Loans area, beginning on this date

Revisions to the Single-Family Seller/Servicer Guide

The revisions include:

- [Chapters 17, 22, 23, L33, 51, 59, 64, 65, B65, 66, 71, 78, 79, 80](#) and [82](#)
- [Exhibits 4, 5, 57, 57A, 71](#) and [74](#)
- [Glossary](#)
- [Directories 1, 3, 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/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
Offerings Management

2009 LOAN LIMITS

On November 10, 2008, we announced that for 2009 we are maintaining the base conforming loan limits at the 2008 levels and increasing the conforming loan limits for certain high-cost areas based on the Federal Housing Finance Agency (FHFA) announcement on November 7, 2008.

Base conforming loan limits

The base conforming loan limits for 2009 will remain at the current levels (\$417,000 for 1-unit properties, higher limits apply for 2- to 4-unit properties and properties in Alaska, Guam, Hawaii and the U.S. Virgin Islands).

Guide [Chapter 23](#) is being updated to reflect the 2009 base conforming loan limits.

High-cost area loan limits – super conforming Mortgages

The Housing and Economic Recovery Act of 2008 raises the conforming loan limits in certain high-cost areas (where 115% of the area median house price exceeds the applicable base loan limit) to the lesser of:

- 115% of the area median home price, or
- 150% of the base conforming loan limits.

We refer to Mortgages that will be purchased under these higher limits as “super conforming” Mortgages. Since the base conforming loan limit for 1-unit properties remains at \$417,000, the maximum conforming loan limit in designated high-cost areas is \$625,500 for 1-unit properties.

The maximum loan limits in designated high-cost areas for properties located in Alaska, Guam, Hawaii and the U.S. Virgin Islands are higher than the base of \$625,500 for 1-unit properties.

Super conforming Mortgages – revised LTV/TLTV/HTLTV requirements

All Seller/Servicers are eligible to deliver super conforming Mortgages that comply with [Chapter L33](#). Super conforming Mortgages with Note Dates on and after October 1, 2008, are eligible for Freddie Mac settlements on and after **January 2, 2009**.

We are revising [Chapter L33](#) to reflect the updated information regarding super conforming Mortgage original loan amounts and the LTV/TLTV/HTLTV ratio requirements for super conforming Mortgages secured by 1-unit properties located in designated high-cost areas where the maximum loan limit exceeds \$625,500.

OTHER SELLING CHANGES

Updates regarding Uniform Instruments

We are updating [Exhibit 4, Uniform Instruments](#), to incorporate revision dates for the Arizona Deed of Trust and the District of Columbia Deed of Trust.

In [Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application](#), we are updating authorized changes for the Maine Note.

These changes were previously posted on our Uniform Instrument web site available at <http://www.freddiemac.com/uniform>.

Minor changes to State anti-predatory lending requirements

We are updating Guide [Section 22.18.1](#) to reflect minor changes to our State anti-predatory lending requirements.

SERVICING CHANGES

New protections available to service members under the SCRA

We are updating the Guide to reflect new protections that are available to service members under the Servicemembers Civil Relief Act – as a result of the Housing and Economic Recovery Act of 2008 – which became effective on July 30, 2008. The new protections include:

- An extension on the period of time the interest rate limitation of 6% can be applied to eligible Mortgages to include a service member's period of active duty and one year thereafter
- An extension on the stay of foreclosure and legal proceedings to a period of nine months after the service member's release from active duty. This provision ends on **December 31, 2010**; on **January 1, 2011**, the requirement will revert back to a period of 90 days after the service member's release from active duty.

Servicers must notify us of the service member's release from active duty via [Form 1071, Supplemental Accounting Report of SCRA Mortgages](#), at least 30 days before the reinstatement of the contractual interest rate. Servicers must also send the service member, or his or her representative, written notice of the date the Mortgage will reinstate to its contractual rate at least 30 days before reinstatement of the contractual rate of interest occurs. All other eligibility, due diligence and approval requirements contained in the Guide remain unchanged.

[Sections 66.12.1, 82.1, 82.2](#) and [Exhibit 71, SCRA Example of Principal and Interest Payment Calculation](#), are being updated to reflect these changes.

Standardizing the breach letter requirement

Earlier this year, we revised our breach letter (also known as the acceleration letter) requirements to provide that the breach letter must be sent no later than the 60th day of delinquency for First Lien Mortgages that had not been previously modified. To help standardize the breach letter process for Servicers, effective **January 1, 2009**, we are requiring that breach letters must be sent out no later than the 60th day of delinquency on all Mortgages, including First Lien Mortgages, modified Mortgages and Second Mortgages/HILs.

[Section 64.6](#) is being updated to reflect this change.

For Servicers who use Early Indicator[®], this change also applies to Mortgages that are scored as high risk through Early Indicator. Additionally, this Bulletin amends the Early Indicator Work Rules Agreement to reflect this change.

Business Continuity Plan

With the risk of natural disasters and other adverse events, such as technological failures and threats to overall security, it is important for financial institutions to ensure that they have an effective business continuity strategy. In order to minimize Freddie Mac's risk of loss in the event of a disaster or unexpected disruption to critical business processes, we are updating the Guide to reinforce our requirement that Servicers have and maintain a Business Continuity Plan (BCP) to ensure their ongoing ability to conduct business operations with us.

A Servicer's BCP must be able to support the continuation of those critical business processes that are necessary to comply with the requirements of the Servicer's Purchase Documents. Additionally, we expect Servicers to also evaluate their service bureaus' or third-party service providers' BCP to determine their overall reliability and effectiveness for the resumption of critical business processes in the event of a disruption.

[Sections 51.3](#) and [51.4](#), and [Form 16SF, Annual Eligibility Certification Report](#), are being updated to reflect these changes.

Changes to expense reimbursement process and requirements

We are making several changes to our expense reimbursement process and requirements, which we believe will make the process more efficient for Servicers. The changes include:

- Requiring the use of the Online Reimbursement System to submit most expense reimbursement requests
- Incorporating amounts due to Freddie Mac as a result of an expense reimbursement audit into the Servicer Non-Performing Loans Invoice
- Adding a new expense code and approved expense amount for the Police/Fire Report, which is often required by insurers for insurance claims
- Updating [Exhibit 57A, Approved Attorney Fees and Title Expenses](#), to include an approved attorney fee of \$500 for non-judicial foreclosures in the State of Nebraska

Submitting requests via the Online Reimbursement System

The recent transition of Freddie Mac's suite of Servicing tools and applications to Freddie Mac.com provides Servicers and Freddie Mac the opportunity to take advantage of the efficiencies that these online tools and applications offer. One such efficiency is the ability for all Servicers to submit expense reimbursement requests electronically. Therefore, effective **March 1, 2009**, Servicers will be required to submit most [Form 104SF, Statement of Loan, Workout and REO Expenses and Income](#), and Form 104DC, Designated Counsel/Trustee, expense reimbursement requests via our Online Reimbursement System.

However, we will continue to require Servicers to deliver a paper Form 104SF and/or paper Form 104DC for the following types of expense reimbursement requests:

- Expense reimbursement requests for FHA Mortgages, VA Mortgages and RHS guaranteed Mortgages
- Resubmissions of expenses Freddie Mac adjusted or denied on a previous claim submission
- Expense reimbursement requests for Mortgages secured by properties sold to a third party for less than total debt

Additionally, we have recently enhanced the Online Expense Reimbursement System to enable Servicers to submit Form 104SF credit transactions (transactions where income reported exceeds expenses requested) through the system. Servicers will now be required to submit credit transactions via the Online Reimbursement System as well, also effective **March 1, 2009**.

[Chapters B65, 66 and 71](#) are being updated to reflect these changes.

If you are not a current user of the Online Reimbursement System, you must complete and submit the [Online Reimbursement System Sign Up Form](#) available at FreddieMac.com at <http://www.freddiemac.com/singlefamily/service/tools.html>.

Once your sign up form is processed, a unique user ID and password that you will need to access the online system will be e-mailed to you.

Additionally, Freddie Mac provides the following Online Reimbursement System educational materials for your reference, which are available on FreddieMac.com at http://www.freddiemac.com/learn/service/ex_reimbursement.html:

- [Expense Reimbursement Desk Reference](#)
- [On-Line Reimbursement System Users' Guide \(Freddie Mac's On-Line 104SF/DC System\)](#)
- ["Using Form 104SF" recorded web conference](#)

If you have any questions about the Online Reimbursement System application, please contact (800) FREDDIE.

Form 104SF post-audit findings billed on the Servicer Non-Performing Loans Invoice

Beginning with the Servicer Non-Performing Loans Invoices sent on or after **February 1, 2009**, any fees due to Freddie Mac as a result of a Form 104SF expense reimbursement audit finding will be billed on the invoice. The amounts due will appear on a separate line and be identified as "104 Expense."

This change is being made in an effort to consolidate – on one comprehensive statement – any amounts a Servicer owes Freddie Mac related to the Servicing of non-performing loans. Also, as part of this billing process change, Servicers will be billed for any previously billed and uncollected 104SF audit finding amounts on the Servicer Non-Performing Loans Invoice received on or after **January 1, 2009**.

[Section 71.27](#) is being updated to reflect this change.

New expense code for police/fire report

We have noticed an increase in the number of jurisdictions that are charging Servicers for the preparation of a police and/or fire report needed to facilitate the filing of an insurance claim. Therefore, we are adding a new expense code, 090008 Police/Fire Report, to our list of expense types, so that Servicers may obtain the reports when needed and request reimbursement of this expense without obtaining our pre-approval.

We are updating [Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts](#), and [Exhibit 74, Expense and Income Codes for Form 104SF](#), to reflect this change.

Updating Exhibit 57A, Approved Attorney Fees and Title Expenses

We are updating [Exhibit 57A](#) to include an approved attorney fee of \$500 for a non-judicial foreclosure in the State of Nebraska to reflect that in Nebraska, depending upon the circumstances, either a judicial or non-judicial foreclosure may be pursued.

Changes to investor reporting processes and requirements

We are making several changes to our investor reporting processes and requirements. The changes include:

- Requiring all Servicers to utilize Investor Accounting Manager to retrieve certain reports
- Raising the threshold for reporting an overstated principal balance correction
- Providing that corrections to a Seller/Servicer Remittance Analysis will be reflected on the most current Seller/Servicer Remittance Analysis

Retrieving reports through Investor Accounting Manager

In order to eliminate reliance on manual processes, and enable Servicers to obtain critical monthly reports faster, effective **April 1, 2009**, we are requiring all Servicers to utilize IAM to retrieve certain reports that are currently mailed, faxed or e-mailed to them by our Performing Loans area. Affected reports are:

- Seller/Servicer Remittance Analysis
- Detailed Adjustment Report
- Adjustable-rate Mortgage (ARM) Notifications

If you are not a current user of IAM, you may request access to this tool by completing the [Servicing Applications Sign Up Form](#) available at <http://www.freddiemac.com/singlefamily/service/tools.html>. Once the sign up form is processed, the unique user ID and password that you will need to access IAM will be e-mailed to you. As an added benefit, your user ID and password will allow you to access many of our other Servicing tools available on FreddieMac.com.

Reporting an overstated principal balance correction

In response to Servicer requests, we are raising the threshold for reporting an overstated principal balance correction (also known as negative principal reduction), for a given Mortgage in any accounting cycle, from \$1,000 to \$3,000. This change should significantly reduce the instances in which Servicers must submit a request to Freddie Mac to correct previously reported overstatements of principal reduction.

[Section 78.29](#) is being updated to reflect this change.

Corrections to the Seller/Servicer Remittance Analysis

We are revising the Guide to provide that corrections to a Seller/Servicer Remittance Analysis will be reflected on the most current Seller/Servicer Remittance Analysis; we will no longer be adjusting prior accounting cycle statements.

Designated counsel/trustee

Kriss Felty, Esq. and his staff (formerly of Shapiro & Felty, L.L.P.) have opened a new law firm, Felty & Lembright Co., L.P.A., in Ohio. Effective November 1, 2008, the new firm replaced Shapiro & Felty as designated counsel. The firms have communicated this change to their clients.

The Designated Counsel/Trustee List reflects the new counsel and updated contact information. The Designated Counsel/Trustee List is located on FreddieMac.com at http://www.freddiemac.com/service/msp/deg_counsel.html.

Updating the Directory

We are updating the fax number for repurchases listed in [Directory 1](#). We are also updating references in [Directory 3](#) to include relevant form references.