



# Bulletin

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**TO:** All Freddie Mac Sellers and Servicers

September 10, 2007

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**SUBJECT:** Revised Servicing Requirements for Mortgages Affected by Hurricane Katrina and Hurricane Rita

With this *Single-Family Seller/Servicer Guide* (Guide) Bulletin, Freddie Mac is announcing changes to our temporary requirements for Mortgages affected by Hurricane Katrina and Hurricane Rita that are secured by properties located in “eligible Disaster Areas.”

Eligible Disaster Areas are those areas comprised of counties or municipalities, including parishes, which have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance was made available. The Federal Emergency Management Agency (FEMA) identifies these areas on its web site.

With this Bulletin, we are amending temporary Servicing requirements to:

- Discontinue application of the three-zone methodology we established in our [February 10, 2006 Bulletin](#) only for servicing Mortgages owned by Freddie Mac. (This methodology continues to apply to Mortgages that are originated for sale to Freddie Mac.)
- Extend the expiration date for remaining temporary Servicing requirements through December 31, 2007

As noted above, the three-zone methodology continues to apply to Mortgages originated for sale to Freddie Mac. We are also reminding Sellers that previously announced temporary selling requirements have been extended through December 31, 2007, as announced in our [June 4, 2007 Bulletin](#), except for our temporary special collateral requirements, which remain in effect until further notice.

## **SERVICING REQUIREMENTS**

### **Effective date**

The changes to temporary Servicing requirements included in this Bulletin are effective for the period October 1, 2007 through December 31, 2007, unless otherwise noted.

### **Temporary Servicing requirements – discontinued application of three Zone methodology**

Freddie Mac continues to receive valuable insight from our Servicers and other industry participants about the recovery efforts in eligible Disaster Areas. We also continue to conduct field and aerial reviews of the areas impacted by Hurricane Katrina and Hurricane Rita. As a result of our review of information from these and other sources, we have decided to discontinue our requirement that Servicers use the three-zone methodology established by Freddie Mac in the [February 10, 2006 Bulletin](#) (Zone One: minimal to no damage; Zone Two: moderate damage; Zone Three: significant damage) to service Mortgages owned by Freddie Mac.

With the discontinued application of the three-zone methodology, effective October 1, 2007, Servicers will no longer be required to obtain Freddie Mac's prior approval for the following actions solely based on the location of the property:

- Initiating or resuming foreclosure for properties located in eligible Disaster Areas, regardless of the zone in which the property is located
- Completing any lender-initiated property preservation work other than re-keying one entrance to a property when certain conditions are met

Effective October 1, 2007, Servicers that service Mortgages impacted by Hurricane Katrina and Hurricane Rita should follow our Guide requirements for managing properties that are distressed and/or impacted by a disaster.

**Reminder: Requirements for managing distressed properties or properties impacted by a disaster**

Guide requirements for managing distressed properties can found in Guide [Sections 67.27](#) and [67.28](#), and requirements for managing properties impacted by a disaster can be found in [Chapter 68](#). Those requirements include:

- Maintaining a record of when the condition was discovered and taking all necessary actions to protect the property from waste, damage and vandalism and prevent any loss
- Inspecting the property monthly until the condition is resolved
- Ensuring that property insurance coverage is maintained
- Filing a claim with the applicable property insurer on our behalf if the property is damaged and the Borrower has not filed a claim
- Complying with the requirements of the VA, RHS, FHA or MI, if applicable
- Determining the extent of the damage to or losses suffered by the properties securing such Mortgages
- Securing abandoned properties if the properties have not sustained significant or total damage or have not been identified as having a risk of ownership to us
- Obtaining our prior written approval by submitting [Form 105, Multipurpose Loan Servicing Transmittal](#), to us before incurring expenses that exceed the limits contained in [Exhibit 57, 1-to 4-Unit Property Approved Expense Amounts](#)
- Obtaining our prior written approval to initiate foreclosure of a Mortgage on a distressed property
- Providing assistance to the Borrower regarding options for local, State or federal disaster assistance
- Monitoring and coordinate the insurance claim process and the progress of repairs in accordance with [Section 58.10](#)

**Extension of other previously announced temporary Servicing requirements**

With this Bulletin, we are extending the following temporary Servicing requirements through December 31, 2007:

- The temporary credit reporting requirements announced in our [February 10, 2006 Bulletin](#)
- The streamlined underwriting requirements for loan modifications

- The delegation to approve a short payoff
- Suspension of the Guide requirement to collect Borrower documentation to determine eligibility for a long-term forbearance
- The ability to continue to extend forbearance based on an individual assessment, without Freddie Mac approval
- The temporary requirements for Electronic Default Reporting (EDR), announced in our [October 7, 2005 Bulletin](#)
- The temporary payment history relief for Borrowers requesting cancellation of Borrower-paid mortgage insurance, as announced in our [June 4, 2007 Bulletin](#)

**Reminder: Factors to consider when extending forbearance**

When extending forbearance, we expect Servicers to determine the best course of action for the Borrower's circumstances and to work with Borrowers to provide assistance including, where appropriate, continued suspension or reduction of Mortgage payments.

When considering whether to extend a forbearance plan Servicers must take into consideration, at a minimum, the following factors:

- The Borrower's expressed desire and intention to retain the property, although the Borrower may not yet be able to resume making Mortgage payments
- Whether the Borrower has a pending insurance claim, has applied for or is awaiting receipt of grant funds
- Whether the Borrower has received insurance or grant funds and is in the process of rebuilding the home

Servicers must monitor the continuation of a forbearance plan closely.

If the Borrower cannot or does not want to retain ownership of the property, or there is no contact with the Borrower, Servicers must carefully evaluate the circumstances and determine in a timely manner whether:

- Loss mitigation alternatives such as a relief or workout option may be appropriate to resolve the Delinquency
- To recommend a charge-off in accordance with [Chapter B65](#)
- To initiate foreclosure in accordance with the requirements of [Chapter 66, Section 67.27](#) and [Chapter 68](#)

**Reminder: Assessment of prepayment penalties**

Servicers are reminded of our existing requirement to waive prepayment penalties pursuant to Sections [B33.4](#) and [51.19](#) if the Mortgage payoff is received in connection with a workout or Security Instrument default. We encourage Servicers to consider waiving the penalty in all other situations for Mortgages secured by properties located in eligible Disaster Areas.

**Reminder: Previously announced temporary Servicing requirements**

Servicers are reminded that they must continue to adhere to the temporary requirements announced with the [February 10, 2006](#), [May 1, 2006](#), [August 4, 2006](#), [November 7, 2006](#), [March 1, 2007](#), and June 4, 2007 Bulletins, except as they are amended by the temporary requirements contained in this Bulletin.

## **SELLING REQUIREMENTS**

### **Continued application of three-zone methodology**

The zone methodology established by Freddie Mac in the [February 10, 2006 Bulletin](#) will continue to apply to Mortgages originated for sale to Freddie Mac that are secured by properties located in eligible Disaster Areas. The counties/parishes and their assigned zone numbers are identified in Exhibit A of this Bulletin and remain unchanged from the version published in our [June 4, 2007 Bulletin](#).

### **Temporary selling requirements**

As announced in the [June 4, 2007 Bulletin](#), the temporary underwriting relief and flexibility for Borrower credit reputation and capacity and the LTV/TLTV/HTLTV ratio limits announced in our [September 30, 2005 Bulletin](#) (and amended by the [October 7, 2005](#), [November 8, 2005](#), [May 1, 2006](#), [August 4, 2006](#), [November 7, 2006](#), [March 1, 2007](#) and [June 4, 2007 Bulletins](#)) will be effective for Mortgages with Note Dates on or after August 30, 2005 (for Hurricane Katrina) or September 25, 2005 (for Hurricane Rita), as applicable, through December 31, 2007.

The temporary special collateral requirements announced in our [September 30, 2005 Bulletin](#), as modified in our [May 1, 2006 Bulletin](#), remain in effect until further notice.

For your convenience, the LTV/TLTV/HTLTV ratio limits are provided in the chart attached as Exhibit B to this Bulletin.

### **Reminder: Special selling requirements -- additional special characteristics code**

As announced in our [September 30, 2005 Bulletin](#), Sellers are reminded that when selling Mortgages affected by Hurricane Katrina and Hurricane Rita, Sellers must submit the special characteristics code (SCC) 821 on the [Form 11, Mortgage Submission Schedule](#), and [Form 13SF, Mortgage Submission Voucher](#), as applicable.

### **Reminder: Temporary selling requirements for Home Possible<sup>®</sup> Mortgages**

Sellers are reminded that Freddie Mac has 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 of December 31, 2007 or earlier. Sellers must deliver these Mortgages to Freddie Mac on or before March 31, 2008.

For more information about this temporary requirement, see our [June 26, 2006](#) and [August 4, 2006](#) Bulletins. See also our [August 1, 2007 Bulletin](#) regarding the exemption from the Home Possible Mortgage delivery fee rate increase effective November 1, 2007 for purchase transaction Home Possible Mortgages.

### **Other selling requirements**

Except as set forth in the [September 30, 2005 Bulletin](#) (and amended by the [October 7, 2005](#), [November 8, 2005](#), [May 1, 2006](#), [August 4, 2006](#), [November 7, 2006](#), [March 1, 2007](#) and [June 4, 2007 Bulletins](#)), all requirements in a Seller's Purchase Documents must be met for a Mortgage to be eligible for sale to Freddie Mac.

The selling requirement provisions of this Bulletin are Discretionary Provisions as defined in [Section 12.13](#) and [Exhibit 26, Discretionary Provisions](#).

## CONCLUSION

**Seller/Service providers must retain a copy of this Bulletin to ensure compliance with our requirements.**

Please note, both selling and Servicing requirements for Hurricane Katrina and Hurricane Rita are available on FreddieMac.com at

[http://www.freddiemac.com/corporate/about/how\\_we\\_help/hurricanes\\_of\\_2005.html](http://www.freddiemac.com/corporate/about/how_we_help/hurricanes_of_2005.html).

For answers to questions about the requirements contained in this Bulletin, Freddie Mac Seller/Service providers should contact their 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