

Bulletin

NUMBER: 2010-16

TO: Freddie Mac Sellers and Servicers

July 16, 2010

SUBJECTS

Both selling and Servicing requirements are amended with this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin.

Selling requirements

We are providing additional guidance related to our Florida Condominium Effort.

Servicing requirements

We are making the following changes to our **Servicing requirements**:

- Requiring that all parties to a short payoff transaction execute an affidavit stating that the transaction is an arm’s length transaction
- Requiring Servicers to begin reporting the previously announced new Home Affordable Foreclosure Alternative (HAFA)-specific electronic default reporting (EDR) codes beginning **September 1, 2010**
- Requiring that payment of Servicer Non-Performing Loans Invoices be made via an Automated Clearing House (ACH) draft
- Providing additional guidance on Servicer obligations for Mortgages that have reached maturity
- Providing additional guidance related to property inspections
- Introducing a new expense code for the reimbursement of costs associated with the transfer of title on properties titled under the Torrens system in the state of Minnesota
- Revising the time frame within which Freddie Mac will reimburse Servicers for amounts owed to them as a result of a [Guide Form 104SF](#), *Statement of Loan, Workout and REO Expense and Income*, audit
- Instructing Servicers on the required method of sending us income when there are no [Form 104SF](#) expenses to offset the income

Additionally, Freddie Mac is advising Servicers of updates to [Guide Exhibit 51](#), *Credit Repositories and Information to Report*, [Form 1132](#), *Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH)*, and [Directory 5](#) to reflect current information.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

SELLING REQUIREMENTS

Florida Condominium Effort

In [Bulletin 2010-8](#), we announced our Florida Condominium Effort. Under this effort, Sellers are exempt from certain Condominium Project requirements and representations and warranties for purchase transaction Mortgages secured by Condominium Units located in Florida when Freddie Mac owns the Mortgage on the unit and certain other conditions are met.

We are revising [Guide Chapter 42](#), *Special Warranties for Condominiums*, to also exempt Sellers from these requirements and representations and warranties when the subject property is Freddie Mac Real Estate Owned.

[Guide Section 42.7](#), *Other Condominium Projects*, has been updated to reflect this change.

SERVICING REQUIREMENTS

Short payoff arm's length affidavit

In order to help ensure the integrity of short payoffs of Freddie Mac Mortgages, we are requiring that all parties to a short payoff transaction processed under [Chapter B65](#), *Workout Options*, execute an affidavit attesting to the arm's length nature of the transaction.

Servicers will be required to obtain an arm's length affidavit prior to or at the time of the closing of the sale of the Mortgaged Premises for all short payoffs authorized pursuant to [Sections B65.35-B65.41](#) submitted to Freddie Mac for approval on or after **September 1, 2010** or approved by a Servicer on or after September 1, 2010 pursuant to a Servicer's delegations. Servicers will be required to provide Freddie Mac with a copy of the arm's length affidavit upon our request.

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

HAFA EDR requirements

As previously communicated to Servicers by e-mail on June 23, 2010, Freddie Mac has implemented the two new HAFA-specific EDR codes first announced on June 1, 2010 in [Bulletin 2010-12](#). The two new codes, implemented on June 28, 2010, are:

- Default action code **HF** (Short Sale Agreement (SSA) – Borrower Execution) - Report this code to notify Freddie Mac that the Borrower has executed the Form 1135, *Short Sale Agreement*
- Default reason code **HAF** (Home Affordable Foreclosure Alternative) - Report this code with default action code "09" in the month following the Effective Date of the SSA, and each month thereafter, for as long as the Mortgaged Premises are being marketed for a HAFA Short Sale. (The Effective Date of the SSA is the date the SSA is mailed to the Borrower.)

Servicers may begin reporting these new codes to us via EDR as soon as they are ready; however, they must report these codes beginning **September 1, 2010**, and each month thereafter, for the prior month's activity. These codes must be reported in addition to all other applicable EDR codes required under [Section 64.10](#), *Monthly Electronic Default Reporting (EDR)*, [Section C65.11](#), *HAMP activity reporting requirements*, [Section D65.10](#), *Reporting requirements*, and [Exhibit 82](#), *Electronic Default Reporting Transmission Code List*.

Servicers should review the recently revised EDR Quick Reference Guide, available on our web site at http://www.freddiemac.com/learn/pdfs/service/edr_quickref.pdf for detailed information on Freddie Mac's EDR requirements, including detailed instructions on reporting requirements for EDR codes, accessing and utilizing EDR reports and correcting errors.

With the implementation of the two new EDR codes described above, beginning **September 1, 2010**, Servicers will no longer be required to send Freddie Mac a monthly spreadsheet of loan-level HAFA activity (i.e., the temporary reporting requirements currently required under [Section D65.10\(b\)](#)). Servicers that report these new codes via EDR prior to the mandatory effective date, may discontinue sending the spreadsheet to Freddie Mac beginning with the first month in which they report the new codes through EDR for the prior month's activity.

[Chapter D65](#), *Home Affordable Foreclosure Alternatives* and [Exhibit 82](#), *Electronic Default Reporting Transmission Code List*, have been updated to reflect this change.

Requirements for MIDANET® Users

Before a Servicer can begin using the new HAFA EDR codes, the Servicer must be using MIDANET version 98.03.70 or higher. If a Servicer is not using this version or a higher version, the Servicer should go to the MIDANET main menu and complete the following actions:

1. Select "Option 4 – Communications"
2. Choose "Option 1 – Receive Other Data"
3. MIDANET will then automatically download the next sequential version based on the version currently being used
4. Log off MIDANET and log back into the system

Servicers will need to repeat these steps until they have upgraded to version 98.03.70.

We strongly encourage Servicers to update MIDANET each time a new version is made available to ensure they are receiving the most up-to-date system capabilities.

Servicer Non-Performing Loans Invoices

Effective for all Servicer Non-Performing Loans Invoices sent on or after **November 1, 2010**, Servicers must remit payment of the invoice via an ACH draft. The ACH payment method will make the payment process more efficient by:

- Lowering the overall cost of paying fees
- Reducing the payment cycle time
- Eliminating the risk of lost checks
- Eliminating finance charges for late or lost checks

Servicers who are not already paying Servicer Non-Performing Loans Invoices with an ACH draft must:

- Establish an ACH draft account by completing [Form 1132](#) and returning it to the address provided on the form no later than **September 30, 2010**
- Designate a Demand Deposit Account other than a Custodial Account as the Servicer's ACH draft account

Servicers may establish one ACH account for the payment of invoices for both the Performing Loans monthly Servicer Billing Statement and the Servicer Non-Performing Loans Invoice, or establish two separate accounts. In either case, Servicers will need to submit a new [Form 1132](#).

Freddie Mac must receive [Form 1132](#) no later than September 30, 2010 in order for us to draft payment for invoices due and payable on or after November 1, 2010. However, we encourage Servicers to submit [Form 1132](#) as soon as possible. Upon receipt of [Form 1132](#), we will notify the Servicer at the e-mail address provided on the [Form 1132](#) of the first month in which we will begin processing payment via an ACH draft. Customarily, if [Form 1132](#) is received on or before the 15th of the month, the first ACH draft will occur on the last Business Day of that same month for invoices payable on that date.

Upon receiving an invoice, Servicers should review it immediately and promptly contact us at (800) FREDDIE with any questions. We will submit an ACH draft from the Servicer's designated account on the last Business Day of each month.

[Chapter 64, Delinquencies](#), [Chapter 66, Foreclosure](#), [Chapter 71, Reimbursement of Expenses](#), and [Chapter 76, Basics of Investor Accounting](#), have been updated to reflect this change.

Mortgage payoff at maturity

Borrowers are obligated to make timely payments to fully amortize the unpaid principal balance (UPB) of the Mortgage by the maturity date specified in the Note. If there are amounts still due under the Note, the Borrower is required to pay those amounts in full on the maturity date.

We have updated the Guide to provide further guidance with respect to a Servicer's obligations concerning Mortgages that have reached their maturity date. Servicers must report the payoff of a matured Mortgage by the second Business Day after the maturity date and remit the payoff proceeds by the fifth Business Day after the maturity date.

If a Servicer fails to report the payoff of a Mortgage that has reached maturity, Freddie Mac will process a payoff transaction for the Mortgage as of the first calendar day of the month following the maturity date. In addition, Servicers will receive an edit if they attempt to report a non-exception transaction in the next accounting cycle following the month of maturity.

[Chapter B65, Chapter 76](#) and [Chapter 78, Reporting and Remitting Requirements](#), have been updated to reflect these requirements.

Property inspection requirements

We are providing additional guidance to Servicers concerning their obligations to obtain property inspections. In connection with a delinquent Mortgage, a Servicer must obtain a property inspection between the 45th and 60th day of Delinquency, and again once every month thereafter until the Delinquency is cured or the Borrower has agreed to a repayment plan and has begun and continues to make payments according to the terms of the repayment plan.

[Chapter 64](#) and [Chapter 65, Loss Mitigation](#), have been updated to reflect this information.

Torrens Act

In [Bulletin 2008-2](#), we introduced the expense code 010002 Trustee/Attorney Fees – Torrens Act (MN only) for Servicers to more easily obtain reimbursement of up to \$500 for the attorney fees related to the Torrens system of titling in Minnesota. We have updated [Exhibit 57A, Approved Attorney Fees and Title Expenses](#), to include this expense code.

With this Bulletin, we are announcing new expense code, 300005 Torrens Act – Costs (MN only), which has been created to facilitate reimbursement for costs associated with the transfer of title (e.g., court filing fees and process service fees) on properties titled under the Torrens system in the state of Minnesota. [Exhibit 74, Expense and Income Codes for Form 104SF](#), has been updated to reflect this change.

Change to time frame for Form 104SF audit amounts payable to Servicers

We have updated [Section 71.27](#), *Form 104SF and online Form 104SF audits*, to provide that, in the event we owe a Servicer funds as a result of a [Form 104SF](#) audit, we will remit those funds to the Servicer within 30 calendar days of the date we notify the Servicer of the audit findings. Previously, the Guide provided that this remittance would be made within 15 calendar days. Although we have increased the time frame in the Guide, we expect that the majority of the expense reimbursements will continue to be remitted to the Servicer within 15 calendar days.

Remitting income outside of Form 104SF

We currently instruct Servicers to report any income (such as a mortgage insurance premium refund) as an offset to expenses on [Form 104SF](#). We have updated [Section 71.23](#), *Expense offsets*, to instruct Servicers on the required method of sending income when there are no [Form 104SF](#) expenses to offset the income.

Exhibit 51

[Exhibit 51](#) has been updated to reflect an address and phone number change for Innovis Data Solutions.

Form 1132

[Form 1132](#) has been updated to reflect new mailing information. Effective immediately, Sellers and Servicers must use this updated [Form 1132](#).

Directory 5

[Directory 5](#) has been updated to remove an outdated e-mail address.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- [Chapters 8, 17, 42, 59, 64, 65, B65, D65, 66, 71, 76](#) and [78](#)
- [Exhibits 51, 57A, 74](#), and [82](#)
- [Form 1132](#)
- [Directory 5](#)

CONCLUSION

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