

Bulletin

NUMBER: 2010-22

TO: Freddie Mac Sellers and Servicers

September 15, 2010

SUBJECTS

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

Selling and Servicing requirements

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

- Enhancing our fraud prevention, detection and reporting requirements and consolidating requirements into a new Guide chapter
- Consolidating and providing additional detail on our requirements relating to Freddie Mac’s Exclusionary List (“Exclusionary List”)
- Updating the Guide requirements pertaining to compliance with the regulations administered by the Office of Foreign Assets Control (OFAC) for Mortgages sold to or serviced for Freddie Mac

Servicing requirements

We are updating Guide Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*, to reflect current information.

Effective dates

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

SELLING AND SERVICING REQUIREMENTS

Fraud prevention, detection and reporting

Effective January 1, 2011

Freddie Mac is announcing enhanced requirements related to fraud prevention, detection and reporting, as well as the consolidation of such requirements into a new Guide Chapter 7, *Fraud Prevention, Detection and Reporting*. Strong fraud prevention and detection practices are an integral part of responsible lending standards that help to ensure the success of Seller/Servicers and Borrowers throughout the entire life of a Mortgage. Seller/Servicers’ implementation of these practices is critical to ensuring the quality of Mortgage origination and Servicing processes and decisions.

Freddie Mac is committed to working with Seller/Servicers to prevent and detect fraud in the mortgage industry. Our Fraud Investigation Unit (FIU) has been working diligently on the prevention, detection, investigation and resolution of mortgage fraud since 1989. Many of our Seller/Servicers have already incorporated into their business operations the “best practices” found in the FIU publication “*Discover Gold Through Quality, Fraud Prevention*” (“DGTQ - Fraud Prevention Best Practices”). With this Bulletin, Freddie Mac is issuing an updated version of the publication, DGTQ - Fraud Prevention, Best Practices, available on <http://www.freddiemac.com/sell/dgtq/>.

Seller/Servicers should review new Chapter 7 in its entirety so that they have a clear understanding of Freddie Mac's requirements with respect to fraud prevention, detection and reporting.

Freddie Mac is also announcing the availability of webinar training for Seller/Servicers on the requirements of Chapter 7. Please refer to <http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=Fraud> for specific details on this overview webinar training session. Also, periodically check the Freddie Mac Learning Center at <http://www.freddiemac.com/learn/> for more information on our upcoming webinar training specifically relating to Chapter 7 requirements for Servicers.

In addition to new Chapter 7, Chapter 2, *General Freddie Mac Policies*, Chapter 22, *General Mortgage Eligibility*, Chapter 48, *Seller's In-House Quality Control Program*, Chapter 51, *General Freddie Mac Policies*, Chapter B65, *Workout Options*, and Directory 1 have been updated to cross-reference the Chapter 7 requirements.

Exclusionary List

We have created a new Guide Section 2.24, *Freddie Mac Exclusionary List*, to consolidate and provide additional detail on our requirements relating to the Exclusionary List. This includes information about which parties the Seller/Servicer must screen against the Exclusionary List to ensure that they are not involved in the origination, sale or Servicing of a Freddie Mac Mortgage. New Section 2.24 also replaces the information provided in the definitions of "Principal" and "Freddie Mac Exclusionary List," which have been deleted from the Glossary.

In addition to the current locations where Seller/Servicers can access the Exclusionary List, Freddie Mac is announcing the availability of the Exclusionary List for Servicers on the Freddie Mac Learning Center at https://www.freddiemac.com/slearnctr/npl_qr/exclusionarylist.xls. A secure user ID and password are necessary to access the Exclusionary List. This is the same user ID and password Servicers use to access the secured Learning Center resources.

If you have questions on accessing the Exclusionary List, please contact your Freddie Mac representative or call (800) FREDDIE.

Chapter 2, Chapter 5, *Disqualification or Suspension of a Seller/Servicer*, Chapter 6, *General Warranties and Responsibilities of the Seller/Servicer*, Chapter 51, Chapter 72, *Repurchases*, Directory 1, and the Glossary have been updated to reflect these changes.

Office of Foreign Assets Control

Effective **January 1, 2011**, Servicers are required to notify Freddie Mac within 24 hours of filing a blocked property or rejected transaction report with OFAC. We have added a new sub-section to Section 53.8, *Compliance with applicable law*, which contains instructions for notifying Freddie Mac within 24 hours of filing a blocked property or rejected transaction report with OFAC for Mortgages serviced for Freddie Mac.

All Seller/Servicers are currently required to comply with OFAC requirements and should already have OFAC compliance controls in place. The Guide revisions specify that Freddie Mac expects Seller/Servicers to establish and maintain an effective OFAC compliance program that ensures compliance with OFAC regulations.

In addition, the following revisions are **effective immediately**:

- Sellers are required to screen each Borrower against OFAC's most recent Specially Designated Nationals and Blocked Persons List ("SDN List") prior to delivering a Mortgage to Freddie Mac
- We are explicitly stating that a Mortgage is ineligible for sale to Freddie Mac if a Borrower is on OFAC's SDN List

The new sub-section to Section 53.8 also requires Servicers to periodically screen the Mortgages that they service for Freddie Mac against OFAC's SDN List.

To help ensure compliance with these Guide requirements, Seller/Servicers should inform their relevant compliance personnel of Freddie Mac's OFAC screening and notification requirements.

Chapter 6, Chapter 53, *Servicer Agreements*, and Directory 1 have been updated to reflect these changes.

SERVICING REQUIREMENTS

Revised Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*

We have updated Form 981 to remove an outdated reference to Freddie Mac as an option for the Document Custodian before requested transfer. This selection is no longer valid since Notes previously held by Freddie Mac's Document Custodial Operations are now held in custody by either The Bank of New York Mellon Trust Company, N.A., as Freddie Mac's Designated Custodian, or by another approved Document Custodian.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 5, 6, 7, 22, 48, 51, 53, B65, 72, 76, 77 and 78
- Form 981
- Directory 1
- Glossary

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,



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