

Bulletin

NUMBER: 2011-19

TO: Freddie Mac Servicers

October 26, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are making the following updates to our **Servicing requirements**:

- Permitting Servicers to use the results from statistical models that predict the relative likelihood of worsening Delinquency amongst Borrowers for the purpose of assisting the Servicer in tailoring its collection and solicitation efforts (“Collection and Loss Mitigation Tools”), such as initiating calling campaigns for high risk Borrowers earlier in the Delinquency or electing not to send a Borrower Solicitation Package between day 31 – 35 of Delinquency for low risk Borrowers
- Requiring Servicers to continue solicitation and collection efforts when a Borrower who was less than 60 days delinquent at the time of evaluation and did not qualify for any alternative to foreclosure subsequently becomes 60 days delinquent
- Reminding Servicers that although Guide Exhibit 94, *Post-Referral to Foreclosure Solicitation Letter*, has been removed from the Guide in accordance with Bulletin 2011-17, Servicers are still required to instruct the foreclosure attorney/trustee to send a post-referral to foreclosure solicitation letter to the Borrower to the extent permitted by and in accordance with applicable law
- Providing additional guidance on completing Guide Form 710, *Uniform Borrower Assistance Form*, for situations where a Borrower has a hardship that is affecting his or her ability to make a payment and such hardship is not listed on Form 710
- Introducing a tiered incentive fee structure for all permanent Home Affordable Modification Program (HAMP) modifications with a Trial Period Plan Effective Date on or after October 1, 2011
- Notifying Servicers that Spanish translations for certain Borrower solicitation documents are now available to assist Servicers in solicitation efforts

EFFECTIVE DATE

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

SOLICITATION REQUIREMENTS

Use of a Collection and Loss Mitigation Tool

We have updated the solicitation requirements introduced in Bulletin 2011-11 to allow Servicers to use the results from a Collection and Loss Mitigation Tool (also sometimes referred to as “Collection and Loss Mitigation Behavioral Model Tools”) to tailor its collection and solicitation efforts, including determining when calling campaigns should begin and when the initial Borrower Solicitation Package must be sent.

If the results of a Collection and Loss Mitigation Tool indicate that a non-performing Mortgage is at a low risk for worsening Delinquency, Servicers may choose not to send the Borrower Solicitation Package between days 31 – 35 of Delinquency. However, Servicers using a Collection and Loss Mitigation Tool are still required to send a Borrower Solicitation Package between days 61 – 65 of Delinquency and must require attorneys and trustees to send the post-referral to foreclosure solicitation letter to the extent permitted by and in accordance with applicable law, where the Mortgage has been referred to foreclosure.

Additionally, the performance standards for obtaining a complete Borrower Response Package as set forth in Section 65.8, *Performance Standards*, will not change if a Servicer elects not to solicit Borrowers between days 31 – 35 of Delinquency.

Servicers using a Collection and Loss Mitigation Tool to determine when to begin calling campaigns and when to mail the initial Borrower Solicitation Package must make the model specifications and code as well as any analysis demonstrating its predictions of the likelihood of worsening Delinquency available to Freddie Mac upon request.

Servicers must conduct periodic reviews to ensure the effectiveness of the Collection and Loss Mitigation Tool, including compliance with applicable laws, including anti-discrimination laws. Freddie Mac reserves the right to require a Servicer to discontinue the use of a Collection and Loss Mitigation Tool for Freddie Mac Mortgages.

If a Servicer does not use a Collection and Loss Mitigation Tool, the Servicer's collection and solicitation efforts must meet or exceed the minimum standards set forth in Chapter 64, *Delinquencies*.

Sections 64.5, *Collection Efforts*, and 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, have been updated to reflect this change.

Continued solicitation and collection efforts for Borrowers who are 60 days delinquent

If a Servicer previously determined that a Borrower who was less than 60 days delinquent at the time of evaluation did not qualify for any alternative to foreclosure and the Borrower subsequently becomes 60 days delinquent, then the Servicer must continue its solicitation and collection efforts with such Borrower in accordance with the requirements of Chapter 64.

Sections 64.5 and 64.6 have been updated to reflect this change.

Post-referral to foreclosure solicitation letter

We are also reminding Servicers that Exhibit 94 has been removed from the Guide.

Servicers must instruct the foreclosure attorney/trustee to send a post-referral to foreclosure solicitation letter to the Borrower in accordance with Sections 64.6 and 66.9.2, *Solicitation during the Foreclosure Process*; however, Servicers, foreclosure attorneys and trustees may no longer rely on the former model letter.

In addition, the foreclosure attorney/trustee may modify the content of the post-referral to foreclosure solicitation letter, send the letter at a later date, or opt not to send the letter as necessary to comply with applicable federal, State and local law.

Sections 64.5, 64.6 and 66.9.2 have been updated to reflect these changes. We have also updated the Guide to remove all references to Exhibit 94.

COMPLETING HARDSHIP INFORMATION ON THE UNIFORM BORROWER ASSISTANCE FORM (FORM 710)

In Bulletin 2011-11 we introduced Form 710, which includes a hardship affidavit for which the Borrower is required to provide a written explanation describing the specific nature of the Borrower's current hardship.

If a Borrower believes he or she has a hardship that is affecting his or her ability to make a Mortgage payment and the hardship reason is not one of the options on Form 710 (which provides a list of the same

eligible hardships identified in Section 65.17, *Verifying a Borrower's Hardship*), the Borrower should not check any of the hardship reasons on Form 710 because the reasons do not apply. Instead, the Servicer must advise the Borrower to provide details of the hardship in the Borrower's written explanation and provide relevant documentation to support the Borrower's explanation of the hardship. If the Servicer determines that the Borrower's hardship caused an increase in the Borrower's expenses or a decrease in the Borrower's income due to circumstances outside the Borrower's control, and that a particular alternative to foreclosure is appropriate to address the hardship, the Servicer should proceed with the alternative to foreclosure, provided all other eligibility criteria are met for that particular alternative to foreclosure.

Section 65.17 has been updated to include this guidance.

HAMP INCENTIVES

For all permanent HAMP modifications with a Trial Period Plan Effective Date on or after October 1, 2011, Freddie Mac will pay the Servicer on a tiered incentive structure, which is based on the number of days the Mortgage is delinquent as of the Trial Period Plan Effective Date.

Servicer incentives will be paid upon successful completion of the HAMP modification, as follows:

Number of Days Delinquent at Trial Period Plan Effective Date	Incentive Amount
Less than or equal to 120 days delinquent (150 days from Due Date of Last Paid Installment (DDLPI))	\$1,600
121 days or more delinquent to and including 210 days delinquent (151 to 240 days from DDLPI)	\$1,200
Greater than 210 days delinquent (greater than 240 days from DDLPI)	\$400

For Trial Period Plans with a Trial Period Plan Effective Date on or after October 1, 2011, Freddie Mac will no longer pay the additional \$500 incentive fee on Mortgages where the Borrower was current under the original Mortgage prior to the Trial Period Plan Effective Date.

Section C65.9, *HAMP Incentives*, has been updated to reflect this change. Pay for Success incentives remain unchanged.

Notwithstanding Section 64.1, *Overview*, the above changes related to HAMP incentive fee structure also apply to Mortgages reported through the Freddie Mac Alternative Collateral Deal (ACD) system.

SPANISH TRANSLATED SOLICITATION DOCUMENTS

Spanish translations for certain Borrower solicitation documents are now available to assist Servicers in their solicitation efforts. Servicers may use the Spanish translated documents to support efforts to obtain the required completed and signed English-language documents from the Borrower.

We have posted the following documents in Spanish on the [Borrower Solicitation Documents web page](#):

- Exhibit 1131s, *Borrower Solicitation Letter – 31 Days Delinquent*
- Exhibit 1161s, *Borrower Solicitation Letter – 61 Days Delinquent*
- Form 710s, *Uniform Borrower Assistance Form*

As a reminder, the Spanish translation of Guide Form 710, *Uniform Borrower Assistance Form*, is for reference only and may not be executed by the Borrower or otherwise used in lieu of the English-language form. The Servicer must only obtain a completed and signed English-language Form 710 from the Borrower.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact Chapters 64, 65, C65 and 66.

CONCLUSION

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

Sincerely,

A handwritten signature in cursive script that reads "Tracy Hagen Mooney".

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO