

# Bulletin

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NUMBER: 2011-20

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TO: Freddie Mac Servicers

November 1, 2011

## SUBJECTS

In Bulletin 2011-13, we provided Servicers with a preview of future enhancements to the Freddie Mac Servicing Success Program. With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are announcing certain enhancements to the Freddie Mac Servicer Success Scorecard and Servicer Performance Profile web site. We are also clarifying our remedies in the event of a termination of Servicing.

## FREDDIE MAC SERVICER SUCCESS SCORECARD

### Freddie Mac Servicer Success File Reviews

In **February 2012**, criteria relating to the Servicer Success File Reviews will be added to the Scorecard. Servicers should familiarize themselves with the requirements in Section 51.9.1, *Freddie Mac Servicer Success File Reviews*, which were introduced in Bulletin 2011-13. The data will be included in the Scorecard only for those Servicers that receive a File Review. The following new criteria will be included in the Scorecard:

- **Prudent Servicing Review:** An assessment of the Servicer’s collection activities, loss mitigation activities, timeline management, and property preservation processes
- **Short Sale Compliance Review:** An assessment of the Servicer’s compliance with the requirements of the Guide and other Purchase Documents, as applicable, regarding completed short sales
- **Loan Modification Compliance Review:** An assessment of the Servicer’s compliance with the requirements of the Guide and other Purchase Documents, as applicable, regarding completed modifications

Servicers are reminded that if Freddie Mac has completed a File Review, the File Review results may be a factor in Freddie Mac’s assessment of the Servicer’s overall performance.

### Rankings

As stated in Bulletin 2011-13, a Servicer’s performance will be measured and ranked in two categories: investor reporting and remitting, and default management. Beginning in **February 2012** the following enhancements will be implemented:

- Servicers that receive Scorecards with individual performance requirements for all criteria will be removed from the rankings. These Servicers will continue to be measured against their individual performance requirements.
- In addition to the Early Collections Roll Rate criterion, the ranking for four of the nine default management criteria (identified below) will be based on the Servicer’s performance compared to a synthetic portfolio’s performance

As described in Bulletin 2011-13, Freddie Mac creates a synthetic portfolio for each Servicer that matches the composition of the Servicer based on key Mortgage characteristics such as delinquency status, geographic location, current loan to value, Mortgage purpose, product type, year of origination, original unpaid principal balance amount and occupancy status. Freddie Mac then calculates the difference between the Servicer's performance and that of the synthetic portfolio for each of the five criteria. By basing the rank on the Servicer's performance compared to its synthetic portfolio, Freddie Mac is able to minimize the impact that portfolio composition differences among Servicers may have on rankings. A list of the five criteria can be found at the end of this section.

In the default management category, a Servicer will only be ranked if it is Servicing a minimum number of Mortgages that are 90 or more days delinquent.

The performance criteria, weightings, and rankings for each Servicer are published monthly in the Servicer Success Scorecard at <http://www.freddiemac.com/singlefamily/service/tools.html>.

Following are the five default management criteria that will be based on the Servicer's comparison to its synthetic portfolio. Certain criteria names are also being revised as follows:

CURRENT NAME	FUTURE NAME
Early Collections Roll Rate	<i>Name unchanged</i>
Late Collections Roll Rate	<i>Name unchanged</i>
Workout Ratio	D60+ Workout to D60+ Inventory
Seriously Delinquent Mortgages Past Foreclosure Referral Standard	D90+ Loans Past Foreclosure Referral Standard
Seriously Delinquent or Foreclosure Mortgage Inventory Past Standard	Inventory Past Standard

## SERVICER PERFORMANCE PROFILE

Beginning in **February 2012** with the Scorecard containing December performance results, Servicers may receive an Executive Summary Report (ESR) based upon aggregated performance data of the Servicer's "global family." The "global family" includes affiliates of a Servicer controlled by a common parent entity and that parent itself. In order to receive such aggregated global family performance data, each parent entity must provide written approval to share such aggregated information with their subsidiaries. The written approval must be provided by an officer or individual with appropriate corporate authority to approve disclosure of the subsidiary Servicer's performance data in aggregated form. Servicers should contact their Freddie Mac representative for information about how to provide the written approval. Servicers may find this report useful to provide to their senior management.

The data in the ESR includes the following:

- Snapshot of the portfolio composition. The portfolio composition is a current month snapshot of such items as the Servicer's unpaid principal balance, Mortgage count, number of Mortgages that are delinquent 30, 60, 90 days, and other information related to the Servicer's portfolio.
- Charts comparing the performance of a Servicer against nine other unidentified Servicers that are Servicing Mortgages with similar attributes and a similar portfolio size for each Scorecard criterion in the investor reporting and remitting, and default management categories
- Additional reports on the Servicer's performance against State foreclosure timeline standards and pull through rates of various workouts

Notwithstanding the provision of aggregated global family performance data in an ESR, Freddie Mac reserves its rights and remedies with respect to each Servicer within the global family.

In upcoming communications, we will notify Servicers of the exact manner in which they can receive the ESR. As always, loan level detail reports will continue to be available on the Servicer Performance Profile web site at available at <http://www.freddiemac.com/singlefamily/service/tools.html> for each Servicer.

### **Servicing Alignment Initiative**

The Quality Right Party Contact and complete Borrower Response Package and Delinquency Improvement Performance Standard criteria will not be added to the Scorecard at this time. However, reports that reflect each Servicer's performance for these criteria will be available in Default Reporting Manager<sup>SM</sup>. See Guide Section 65.8, *Performance Standards*, for additional details on these criteria.

#### *Quality Right Party Contact*

Beginning **December 23, 2011**, Servicers may retrieve the "Quality Right Party Contact Monthly Monitoring Report" in Default Reporting Manager that reflects how well a Servicer achieved the quality right party contact benchmark of at least 60% on its 120-day delinquent Freddie Mac portfolio.

#### *Complete Borrower Response Package and Delinquency Improvement Performance Standard*

Beginning **December 23, 2011**, Servicers may retrieve the "BRP Monthly Progress Report" in Default Reporting Manager that reflects the Servicer's performance for each Delinquent Borrower Population that is being measured during the collection period.

Servicers are reminded that Default Reporting Manager is available through Freddie Mac's web site at <http://www.freddiemac.com/singlefamily/service/tools.html> and is accessible using a secure user ID and password. Instructions are available on FreddieMac.com.

## **PARTIAL TERMINATION OF A SERVICING PORTFOLIO**

### **Effective immediately**

Under Guide Chapter 73, *Termination of Servicing*, Freddie Mac may, in its sole discretion, terminate the Servicing of a Servicer with cause for any of the reasons for disqualification under Section 5.2, *Reasons for Disqualification or Suspension of the Seller or the Servicer*.

We are clarifying that this includes the right to:

- Terminate a portion of such Servicing, or
- Require the Servicer, at its own expense, to retain a Servicing Agent for all or a portion of such Servicing

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact Chapters 1, 5, 50, 51 and 73.

## **TRAINING**

Training materials and reference documents will be available to support the updates to our Servicer Success Scorecard and SAI requirements. Servicers should visit the Learning Center web page at <http://www.freddiemac.com/learn/service/> in December for training information.

## **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