

Bulletin

NUMBER: 2012-5

TO: Freddie Mac Servicers

February 15, 2012

SUBJECTS

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

- Providing new requirements relating to the City of Chicago’s Vacant Property Ordinance as follows:
 - Adding new Guide Exhibit 59, *City of Chicago Vacant Property Ordinance Expense Codes*, which provides a new set of expense codes that Servicers must use when submitting expense reimbursement requests through the Reimbursement System for activities that are required by Sections 13-12-125, 126, 127 and 135 of the Municipal Code of the City of Chicago (“Ordinance”) and not currently required by the Guide
 - Requiring Servicers to make vacant property registration payments to the City of Chicago “under protest”
- Providing two new expense codes to claim reimbursement for fees and court costs that Servicers may incur as a result of pre-foreclosure mediation required by State or local law
- Eliminating the requirement for Servicers to obtain prior consent from Freddie Mac to decline an application for a Mortgage assumption
- Reinforcing the requirement that the Servicer, for itself and on behalf of Freddie Mac, must waive all rights to seek deficiencies for short payoffs and deed-in-lieu of foreclosure transactions on Freddie Mac Mortgages that have closed in accordance with the Guide

We are also:

- Reposting the version of Exhibit 83, *Freddie Mac State Foreclosure Time Lines – In Calendar Days*, that provides the State foreclosure time lines for Mortgages referred to foreclosure prior to October 1, 2011
- Retiring paper Forms 104SF, *Statement of Loan, Workout and REO Expenses and Income*, and 104DC, *Designated Counsel/Trustee*
- Updating Exhibit 51, *Credit Repositories and Information to Report*, to reflect current contact information

EFFECTIVE DATE

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

CITY OF CHICAGO VACANT PROPERTY ORDINANCE

Ordinance expense submission process

Guide Chapters 64, *Delinquencies*, 65, *Loss Mitigation*, 66, *Foreclosure*, 67, *Adverse Matters*, 71, *Reimbursement of Expenses – Reimbursement System*, and Exhibit 57, *1- to 4- Unit Property Approved Expense Amounts*, require Servicers, prior to the completion of the foreclosure sale, to inspect and maintain Mortgaged Premises when they are vacant and the Mortgage related to the vacant property is in default. Servicers should already be familiar with these standards.

On December 12, 2011, Freddie Mac issued an Industry Letter informing Servicers that they must begin separately tracking expenses related to the Ordinance pursuant to a directive from the Federal Housing Finance Agency (FHFA). Servicers should familiarize themselves with the Industry Letter, the FHFA directive and the Ordinance.

Accordingly, Freddie Mac has created new Exhibit 59, which includes a new set of expense codes that Servicers must use for submitting expense reimbursement requests in the Reimbursement System for activities that are required by the Ordinance but not required by the Guide. Servicers must submit the new expense codes for inspection, maintenance, repair and legal expenses that have been incurred due to the Ordinance. Inspection, maintenance, repair and legal expenses that are incurred for activities that are already required by the Guide must be submitted using the current expense codes found in Exhibits 57 and 74, *Expense and Income Codes for Expense Reimbursement Claims*.

The Ordinance expense codes will become active in the Reimbursement System on **March 1, 2012**. Claims for reimbursement of Ordinance-related expenses incurred by Servicers from September 18, 2011 through February 29, 2012 (“Initial Period Expenses”), should be submitted through the Reimbursement System as soon as possible after February 29, 2012. Servicers must submit all claims for reimbursement of Initial Period Expenses no later than May 31, 2012.

For Ordinance-related expenses incurred on or after March 1, 2012, Servicers must submit a request for pre-approval (RPA) through the Reimbursement System for each expense.

Servicers must not submit a reimbursement claim that contains both Ordinance expense codes and non-Ordinance expense codes. A request for reimbursement for activities that require Ordinance expense codes must be submitted under a separate claim from a request for reimbursement for activities that require non-Ordinance expense codes. Similarly, if pre-approval of expenses is required, Servicers must submit a separate RPA that covers only expenses for Ordinance-related activities and a separate RPA that covers only expenses for non-Ordinance related activities.

Servicers must comply with the reimbursement requirements set forth in Chapters 65, 67, 71 and Exhibits 57 and 74 for any expenses that Servicers have held off from submitting, as directed by the December 12, 2011 Industry Letter, that do not fit the criteria of Ordinance expenses as described in Exhibit 59.

Guide Section 71.11, *Expense Amounts Requiring a Servicer Request for Pre-Approval (RPA)*, and Exhibits 57 and 59, have been updated to reflect these changes.

Payments for Ordinance registration fees to the City of Chicago made “under protest”

All payments made by a Servicer to the City of Chicago for registration of a Mortgaged Premises pursuant to the Ordinance must be made under protest. The Servicer must send the City of Chicago a letter or other written communication noting that FHFA has determined the registration fee does not apply to Freddie Mac and that payment of the registration fee is therefore made under protest. The written communication should be sent with each registration payment or, if the payment is made electronically or it is otherwise impractical to send the communication with the registration payment, it should be sent contemporaneously with the payment.

MEDIATION FEE CODES

We have updated the Guide and the Reimbursement System to provide two new expense codes that Servicers may use to claim reimbursement for fees and court costs that they may incur as a result of pre-foreclosure mediation required by State or local law:

- Expense code 010004 for mediation fees charged by a mediation manager
- Expense code 010005 for attorney fees and court costs resulting from the mediation process

Servicers must obtain Freddie Mac's written pre-approval through the Reimbursement System for pre-foreclosure mediation expenses in order to obtain reimbursement.

Section 71.19, *Reimbursement of Fees and Costs Incurred during Legal Proceedings*, and Exhibit 74 have been updated to reflect these changes.

DECLINING APPLICATIONS FOR MORTGAGE ASSUMPTIONS

We have eliminated the requirement for Servicers to obtain prior consent from Freddie Mac to decline an application for a Mortgage assumption. If the application for a Mortgage assumption is declined, the Servicer must continue to provide an adverse action notice to all applicable parties, or any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local law.

Section 60.10, *Declination of the Application*, and Directory 5 have been updated to reflect this change.

DEFICIENCY FROM SHORT PAYOFFS AND DEEDS-IN-LIEU OF FORECLOSURE

We have updated the Guide to reinforce the requirement that the Servicer, for itself and on behalf of Freddie Mac, must waive all rights to pursue payment of the remaining balance owed by the Borrower under a Freddie Mac-owned Mortgage for all approved short payoffs and deed-in-lieu of foreclosure transactions that have closed in accordance with the Guide and applicable law.

Sections B65.41, *Closing, Reporting and Remittance Requirements*, and B65.48, *Closing, Reporting and Remittance Requirements*, have been updated to reflect this additional information.

GUIDE UPDATES

Exhibit 83, *Freddie Mac State Foreclosure Time Lines – In Calendar Days*

Based on Servicer feedback, we have reposted the version of Exhibit 83 that provides the State foreclosure time lines for Mortgages referred to foreclosure prior to October 1, 2011.

We have also updated the current version of Exhibit 83 to specify that it provides the State foreclosure time lines for Mortgages referred to foreclosure on or after October 1, 2011.

Retirement of Forms 104SF and 104DC

Due to the retirement of the Online Reimbursement System previously communicated in Bulletin 2011-1, we have retired the following forms, effective immediately:

- Form 104SF, *Statement of Loan, Workout and REO Expenses and Income*
- Form 104DC, *Designated Counsel/Trustee*

Servicers are reminded that all reimbursement claims must be submitted through the Reimbursement System through a 104SF claim or a 104DC claim.

Section 70.16, *Property Insurance*, has been updated to reflect this change.

Exhibit 51 update

We have updated Exhibit 51, *Credit Repositories and Information to Report*, to reflect current contact information for Innovis.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 60, B65, 70 and 71
- Form 104SF
- Exhibits 51, 57, 59, 74 and 83
- 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 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