



# Bulletin

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**TO:** All Freddie Mac Sellers and Servicers

December 5, 2007

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**SUBJECT:** Temporary Selling Requirements for Mortgages Affected by Hurricane Katrina and Hurricane Rita Extended, Many Temporary Servicing Requirements Expire December 31, 2007

With this *Single-Family Seller/Servicer Guide* (Guide) Bulletin, Freddie Mac is announcing that our temporary selling requirements for Mortgages affected by Hurricane Katrina and Hurricane Rita will be extended through June 30, 2008 and reminding Sellers that our temporary special collateral requirements for such Mortgages remain in effect until further notice.

We are also announcing that many of our temporary Servicing requirements will not be extended past the previously announced expiration date of December 31, 2007. The decision to not extend these temporary requirements was made after review of damage reports for impacted areas and extensive discussions with our Advisory Boards and other industry organizations. With the exceptions noted below, effective January 1, 2008, Servicers must follow our existing Guide requirements for managing damaged or distressed properties impacted by Hurricane Katrina and Hurricane Rita.

With this Bulletin, we are:

- Reminding Sellers that the temporary special collateral requirements remain in effect until further notice
- Extending all other temporary selling requirements for Mortgages with Note Dates through June 30, 2008 and delivered on or before September 30, 2008
- Announcing that the temporary credit reporting requirements and temporary payment history relief for Borrowers requesting cancellation of Borrower-paid mortgage insurance will remain in effect until they are no longer applicable
- Announcing that all other temporary Servicing requirements expire on December 31, 2007

The temporary selling and Servicing requirements that remain in effect apply only to Mortgages impacted by Hurricane Katrina and Hurricane Rita that are secured by properties located in “eligible Disaster Areas.” Eligible Disaster Areas are those areas comprised of counties or municipalities, including parishes, which have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance was made available. The Federal Emergency Management Agency identifies these areas on its web site.

**Please note:** Future changes to temporary selling requirements for Mortgages affected by Hurricane Katrina and Hurricane Rita will be published in our “numbered” Bulletins (e.g., 2005-3, 2007-2); this will be the final “special” Bulletin on this subject.

## **SELLING REQUIREMENTS**

### **Continued application of the three-zone methodology**

The zone methodology established in our [February 10, 2006 Bulletin](#) continues to apply to Mortgages originated for sale to Freddie Mac that are secured by properties located in eligible Disaster Areas. The counties/parishes and their assigned zone numbers are identified in Exhibit A of this Bulletin and remain unchanged from the version published in our [September 10, 2007 Bulletin](#). Future updates to Exhibit A will be published in our "numbered" Bulletins.

### **Special collateral requirements remain in effect until further notice**

Our temporary special collateral requirements (further described below) will remain in effect until further notice. We are reminding Sellers that the special collateral requirements announced in our [September 30, 2005 Bulletin](#), as modified in our [May 1, 2006 Bulletin](#), continue to apply to:

- Mortgages secured by *damaged* properties located in Zone One
- Mortgages secured by properties located in Zone Two and Zone Three, regardless of the condition of the property

Following are the temporary collateral requirements, which will remain in effect until further notice:

- The Seller must obtain an appraisal report with an interior and exterior inspection of the Mortgaged Premises
- For properties damaged by Hurricane Katrina, the appraisal must have an effective date after August 29, 2005
- For properties damaged by Hurricane Rita, the appraisal must have an effective date after September 25, 2005
- The person who performs the appraisal must be qualified to perform appraisals without oversight or supervision by a "supervisory" or "review" appraiser
- If the Mortgaged Premises are damaged:
  - The property must be appraised on the basis that the repairs or alterations will be completed
  - The appraisal report must include an estimate of the cost of repairs or the Seller/Servicer must ensure that professional estimates of the repair costs are obtained
  - The Seller/Servicer or appraiser must inspect the Mortgaged Premises and the Seller/Servicer must place documentation in the Mortgage file that evidences completion of the repairs
  - Repairs may be made up to 180 days after the Funding/Settlement Date if the following requirements are met:
    - The Mortgage is secured by a Primary Residence
    - The cost of any uncompleted repairs does not exceed 10% of the value of the completed Mortgaged Premises
    - Any uncompleted repairs do not adversely affect the habitability of the Mortgaged Premises
    - The Seller/Servicer establishes an adequate cash escrow for the uncompleted repairs
    - The Seller/Servicer represents and warrants that the mortgage insurance and title insurance are not impaired or adversely affected during the escrow period

- For purchase and cash-out refinance transactions, the Seller must represent and warrant, as of the Funding/Settlement Date, that there are no outstanding insurance claims on the Mortgaged Premises, including flood insurance claims, as applicable

**Other temporary selling requirements extended through June 30, 2008**

The temporary underwriting relief and flexibility for Borrower credit reputation and capacity and the LTV/TLTV/HTLTV ratio limits announced in our [September 30, 2005 Bulletin](#) and amended by subsequent special Bulletins will be effective for Mortgages with Note Dates on or after August 30, 2005 through June 30, 2008 (for Hurricane Katrina) or September 25, 2005 through June 30, 2008 (for Hurricane Rita). Sellers must deliver these Mortgages to Freddie Mac on or before September 30, 2008.

The LTV/TLTV/HTLTV ratio limits are provided in the chart attached as Exhibit B to this Bulletin.

**Temporary selling requirements for Home Possible<sup>®</sup> Mortgages extended through June 30, 2008**

Freddie Mac previously removed the median income limits for Borrowers with Home Possible Mortgages secured by properties located in eligible Disaster Areas affected by Hurricane Katrina and Hurricane Rita with Note Dates on or before December 31, 2007. We are announcing the extension of this temporary requirement to Home Possible Mortgages with Note Dates on or before June 30, 2008. Sellers must deliver these Mortgages to Freddie Mac on or before September 30, 2008.

See also our [August 1, 2007](#) and [November 15, 2007 Bulletins](#) regarding our pricing incentive for 1-unit purchase transaction Home Possible Mortgages.

**Reminder: Special selling requirement – additional special characteristics code**

As announced in our [September 30, 2005 Bulletin](#), Sellers are reminded that when selling Mortgages affected by Hurricane Katrina and Hurricane Rita, Sellers must submit the special characteristics code 821 on the [Form 11, Mortgage Submission Schedule](#), and [Form 13SF, Mortgage Submission Voucher](#), as applicable.

Except as set forth in the [September 30, 2005 Bulletin](#) (as amended by the [October 7, 2005](#); [November 8, 2005](#); [May 1, 2006](#); [August 4, 2006](#); [November 7, 2006](#); [March 1, 2007](#); [June 4, 2007](#) and [September 10, 2007 Bulletins](#)), all requirements in a Seller's Purchase Documents must be met for a Mortgage to be eligible for sale to Freddie Mac.

The selling requirement provisions for this Bulletin are Discretionary Provisions as defined in [Guide Section 12.13](#) and [Exhibit 26, Discretionary Provisions](#).

## SERVICING REQUIREMENTS

Our temporary Servicing requirements regarding credit reporting and Borrower-paid mortgage insurance cancellation will remain in effect until they are no longer applicable. The remaining temporary Servicing requirements will expire on December 31, 2007. Accordingly, Servicers should prepare to resume using normal Guide Servicing requirements for properties located in eligible Disaster Areas impacted by Hurricane Katrina and Hurricane Rita.

### **Credit reporting requirements remain in effect until no longer applicable**

The credit reporting requirements announced in our [February 10, 2006 Bulletin](#) are being extended until they are no longer applicable. As a reminder, these requirements include the following:

- For a Borrower who was **30 days or more delinquent on their Mortgage payment as of March 1, 2006 and remains delinquent**, Servicers must not report the payment statuses listed below to credit repositories:
  - Delinquent payments
  - Repayment plans
  - Forbearance plans
  - Resumption or initiation of foreclosure
  - Foreclosure sales
  - Acceptance of a deed-in-lieu of foreclosure
  - Short payoffs
  - Charge-offs
  - Bankruptcies
- For a Borrower with a **payment status of "current" as of March 1, 2006**, Servicers must have resumed full-file reporting to credit repositories effective March 1, 2006 in accordance with [Section 55.4](#)
- For a Borrower who was **current as of March 1, 2006, but subsequently experiences a Delinquency**, Servicers must continue full-file reporting despite the Delinquency
- For a Borrower who was **30 days or more delinquent on their Mortgage payment as of March 1, 2006, but subsequently becomes current** on their Mortgage payment through reinstatement or through a workout option, Servicers must resume full-file reporting to credit repositories once the Mortgage is current

### **Borrower-paid mortgage insurance cancellation requirements remain in effect until no longer applicable**

Temporary requirements regarding payment history relief for Borrowers requesting cancellation of Borrower-paid mortgage insurance that were announced in our [June 4, 2007 Bulletin](#) are being extended until they are no longer applicable.

As a reminder, for Mortgages secured by properties located in eligible Disaster Areas, Servicers may disregard a delinquency occurring in the Mortgage payment history when a Borrower requests cancellation of Borrower-paid mortgage insurance if that delinquency was caused by either (a) Freddie Mac's publicly-announced automatic payment suspension or (b) an extended forbearance plan in the form of payment suspension or reduction granted to the Borrower, if all of the following conditions are met:

- All suspended Mortgage payments have been made and the Mortgage is current as of the date of the Borrower's request to have the mortgage insurance cancelled

- To satisfy the evidence of value requirement, the property value used in calculating the loan-to-value ratio must have been verified using one of the following methods (the Servicer may not warrant property value):
  - Current appraisal with an interior and exterior inspection ordered by the Servicer
    - The appraisal must comply with the requirements of [Guide Chapter 44](#), and must be performed within 120 days of the date on which the Servicer received the Borrower's request to cancel mortgage insurance.
  - Interior and exterior BPO ordered by Freddie Mac and performed within 120 days of the date on which the Servicer received the Borrower's request to cancel mortgage insurance
- Any property damage has been repaired prior to the date of the Borrower's request

Except as set forth above, all requirements of [Section 61.2](#) and [61.3](#), as applicable, must be met.

**Temporary servicing requirements that will expire on December 31, 2007**

The remaining temporary requirements are not being extended and will expire on December 31, 2007:

- Temporary requirements for Electronic Default Reporting (EDR) for properties affected by Hurricane Katrina and Rita
- Streamlined underwriting requirements for loan modifications
- Delegation to approve a short payoff
- Suspension of the Guide requirement to collect Borrower documentation to determine eligibility for long-term forbearance
- Servicers' ability to extend forbearance on a individual assessment without Freddie Mac prior approval

Servicers should continue to work with impacted Borrowers to provide assistance, including where appropriate, continued suspension or reduction of Mortgage payments, to address the particular circumstances faced by each Borrower.

Servicers that wish to extend forbearance to a Borrower beyond December 31, 2007 must submit a request on [Form 105, Multipurpose Loan Servicing Transmittal](#), to Freddie Mac at [distressed\\_properties@freddiemac.com](mailto:distressed_properties@freddiemac.com). Freddie Mac will evaluate the request and inform the Servicer of our decision.

**Reminder: Guide requirements for managing distressed and abandoned properties or properties impacted by a disaster**

Servicers are reminded that they must adhere to all Guide requirements for managing distressed and abandoned properties in [Sections 67.27](#) and [67.28](#) and requirements for properties impacted by a disaster in [Chapter 68](#). These requirements include but are not limited to:

*Distressed or abandoned properties*

- Maintain a record of when the condition was discovered and, for abandoned properties, take all necessary actions to protect the property from waste, damage and vandalism and prevent any loss
- Inspect the property monthly until the condition is resolved
- Ensure that property insurance coverage is maintained
- File a claim with the applicable property insurer on our behalf if the property is damaged and the Borrower has not filed a claim
- Comply with the requirements of the VA, RHS, FHA or MI, if applicable
- Obtain our prior written approval to initiate foreclosure on a Mortgage on a distressed property
- Only secure abandoned properties if the properties have not sustained significant or total damage or have not been identified as having a risk of ownership to Freddie Mac
- Obtain our prior written approval before incurring expenses that exceed the limits contained in [Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts](#), by submitting [Form 105](#) to us ([see Directory 5](#))

*Property preservation activities for properties impacted by a disaster*

In the event of a disaster impacting Mortgages serviced for Freddie Mac, a Servicer must:

- Determine the extent of the damage to or losses suffered by the properties securing such Mortgages
- Only secure abandoned properties if the properties have not sustained significant or total damage or have not been identified as having a risk of ownership to Freddie Mac
- Provide assistance to the Borrower regarding options for local, State or federal disaster assistance
- Monitor and coordinate the insurance claim process and the progress of repairs
- Report all Mortgages affected by a disaster that are 30 or more days delinquent to Freddie Mac via an EDR transmission within the first three Business Days of the month following the month the Servicer learned of the disaster using default action reason code 019 (casualty loss).

If a Servicer determines that the disaster has affected a Mortgaged Premises where there is a risk of ownership to Freddie Mac, the Servicer must notify Freddie Mac ([see Directory 5](#)) via [Form 105](#) within five Business Days of learning of the situation.

## CONCLUSION

We applaud our Seller/Servicers for their continuing efforts to support Borrowers affected by Hurricane Katrina and Hurricane Rita. While we recognize that much remains to be done, we believe that for Servicers, our existing Guide Servicing requirements coupled with the two extended temporary requirements offer adequate direction, and for Sellers, our temporary selling requirements continue to offer sufficient flexibility for Borrowers who still need assistance.

Please remember, future changes to temporary selling requirements for Mortgages affected by Hurricane Katrina and Hurricane Rita will be published in our “numbered” Bulletins (e.g., 2005-3, 2007-2); this will be the final “special” Bulletin on this subject.

For answers to questions about the requirements contained in this Bulletin, Seller/Servicers should contact their Freddie Mac representative or call (800) FREDDIE.

Please note, more information regarding both selling and Servicing requirements for Hurricane Katrina and Hurricane Rita is available on FreddieMac.com at [http://www.freddiemac.com/singlefamily/hurricane\\_update.html](http://www.freddiemac.com/singlefamily/hurricane_update.html).

Sincerely,



Patricia J. McClung  
Vice President  
Customer Outreach and Offerings Deployment