

# Bulletin

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NUMBER: 2012-7

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TO: Freddie Mac Servicers

March 13, 2012

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## SUBJECTS

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

- Revising the definition of a Real Estate Owned (REO) rollback
- Announcing Freddie Mac Servicer Success Rewards and Remedies, a component of the Servicing Success Program
- Providing additional information regarding Freddie Mac Servicer Success File Review requirements
- Notifying Servicers of changes to three default management criteria on the Servicer Success Scorecard

## REO ROLLBACK

### Effective immediately

We are updating the Guide to revise the definition of an REO rollback to include additional circumstances beyond bankruptcy petition filings. We are also updating the Guide to provide that Servicers must communicate an REO rollback through a new, consolidated REO Rollback Request mailbox.

Servicers must review the revised REO rollback definition in Guide Section 66.56, *Reporting Foreclosure Sale Results*, take the necessary actions to prevent errors that generate REO rollbacks, and notify Freddie Mac within one Business Day when an REO rollback is necessary, as specified in the Guide.

Section 66.56 and Directory 5 have been updated to reflect these changes.

## SERVICER SUCCESS REWARDS AND REMEDIES

In Bulletin 2011-13 and subsequent communications, we announced that we were developing Freddie Mac Servicer Success Rewards and Remedies, a component of our Servicing Success Program. With this Bulletin, we are announcing new remedies and revisions to existing remedies to reflect our continuing focus on quality Servicing. Specifically, we are instituting new compensatory fees, as well as changes to existing fees, to encourage Servicers to improve performance in several areas of data quality and data reporting to Freddie Mac.

We are also adding new Guide Exhibit 96, *Servicing Incentives and Compensatory Fees*, to aid Servicers in locating compensatory fees assessed and incentives paid in accordance with Guide requirements.

We continue to work on other aspects of the Rewards and Remedies component of the Servicing Success Program to incent exceptional Servicing performance, and we will announce updates in future Bulletins.

## Remedies

The following remedies, which are in addition to any other Freddie Mac remedies specified in the Guide and the Seller/Servicer's other Purchase Documents, are designed to recover costs incurred by Freddie Mac as a result of a Servicer's non-compliance with Freddie Mac's requirements for Servicing Mortgages.

### *Research and reconstruction*

#### **Effective June 1, 2012**

We are revising the fee charged for researching or reconstructing Servicer records from \$100 per Mortgage to an hourly rate of \$76 per staff person or the actual costs, if a third party is engaged, to fulfill the Servicer's request. Servicers are required to maintain accurate files and records, and if a Servicer requests Freddie Mac's assistance in researching and reconstructing records, Freddie Mac will assess this fee to recover the costs incurred in providing this service.

Section 78.51, *Contract Noncompliance and Contract Change Compensatory Fees*, has been amended to reflect this change.

### *REO rollback*

#### **Effective June 1, 2012**

We are adding a **new** compensatory fee of \$1,000, which will be assessed per occurrence when Freddie Mac must process an REO rollback in accordance with Section 66.56(a)(2). This compensatory fee is designed to recover the labor and other costs Freddie Mac incurs to correct this serious violation in a timely manner.

Section 66.56, *Reporting Foreclosure Sale Results*, has been amended to reflect this new compensatory fee.

### *Reporting noncompliance (all loans)*

#### **Effective September 1, 2012**

Freddie Mac is increasing the compensatory fees assessed when a Servicer fails to report on at least 75% of the Freddie Mac Mortgages it services by the 5<sup>th</sup> business day after the accounting cycle cutoff as follows:

<b>IF the noncompliance violation within a consecutive 12-month period is the Servicer's...</b>	<b>THEN the noncompliance compensatory fee is...</b>	<b>AND the Servicer...</b>
First violation	\$5,000 (previously \$250)	
Second violation	\$10,000 (previously \$550)	May be required to attend a reporting training seminar at the Servicer's expense
Third violation or more	\$15,000 (previously \$1,000)	

These revised compensatory fees can be found in new Section 78.47.1, *Reporting Noncompliance Compensatory Fees – All Loans*.

Section 76.12, *Reporting Media*, has also been updated to reference the new section.

*Reporting noncompliance (non-performing loans)*

### **Effective September 1, 2012**

The current compensatory fees assessed for reporting noncompliance for non-performing loans will be moved to new Section 78.47.2, *Non-Performing Loan Reporting Noncompliance Compensatory Fees*.

Section 64.10.1, *Compensatory Fees for Failure to Report via EDR*, and Section 76.12 have also been updated to reference the new section.

### **SERVICER SUCCESS FILE REVIEW**

#### **Effective immediately**

We are revising the Guide to specify that once Freddie Mac has completed a File Review and provided written conclusions, submission of requested file documentation that the Servicer initially failed to provide does not constitute an appeal. Servicers are reminded that they must submit all documentation for a File Review by the date specified in the initial file request. Servicers continue to have an opportunity to appeal Freddie Mac's written conclusions upon completion of the File Review.

Servicers are further reminded that Freddie Mac's decision on the File Review shall be deemed conclusive and may be considered a factor in determining a Servicer's overall performance in accordance with Section 51.11, *Servicer Performance Criteria*.

Section 51.9.1, *Freddie Mac Servicer Success File Reviews*, has been updated with this information.

### **SERVICER SUCCESS SCORECARD**

When we implement the next enhancements to the Servicing Success Program, we will treat Standard Modification Mortgages in the same manner as Home Affordable Modification Program Mortgages in the following three default management criteria:

#### ■ **D60+ Workout to D60+ Inventory**

The new calculation includes Standard Modification Trial Period Plans in the workout volume, but excludes them from the D60+ inventory. This revised calculation credits the Servicer when a loan undergoing a Standard Modification enters the Trial Period, and again if the Borrower successfully completes the Trial Period and the modification becomes permanent.

#### ■ **Early Collections Roll Rate**

Standard Modification Trial Period Plans are excluded from the calculation.

#### ■ **Late Collections Roll Rate**

Standard Modification Trial Period Plans are excluded from the calculation.

The implementation time frame for the Servicing Success Program enhancements that were announced in Bulletin 2011-20 has been revised. Servicers will be notified when the enhancements have been implemented.

Servicers are reminded to refer to the performance criteria, weightings and ranking information published monthly in the Servicer Success Scorecard at

<http://www.freddiemac.com/singlefamily/service/tools.html>.

In addition, the Freddie Mac Servicing Success Program Reference Guide is available at

<http://www.freddiemac.com/learn/service/spp.html>.

## **REVISIONS TO THE GUIDE**

The revisions included in this Bulletin impact the following:

- Chapters 51, 55, 64, 65, 66, 76 and 78
- Exhibit 96
- 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