

Bulletin

NUMBER: 2012-16

TO: Freddie Mac Servicers

August 21, 2012

SUBJECTS

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are announcing the Freddie Mac Standard Short Sale/HAFAs II Short Sale (referred to hereafter as the “Standard Short Sale”). The Standard Short Sale, a part of the Servicing Alignment Initiative (SAI) completed under the direction of the Federal Housing Finance Agency, is designed to serve as a workout option for Borrowers who are unable to retain their homes and for whom a home retention alternative to foreclosure is not a workable solution. This Bulletin provides complete requirements for the Standard Short Sale.

We are also introducing a new process that Servicers will use to obtain a property value and minimum net proceeds to determine whether a purchase offer for a short sale meets the Standard Short Sale requirements. The new valuation process will be available through the Freddie Mac Service Loans application (“Service Loans application”).

Additionally, we are making the following changes to our Servicing requirements:

- Providing more details with respect to the extension of the Home Affordable Modification Program (HAMP) and announcing the expiration of the Home Affordable Foreclosure Alternatives (HAFA) initiative
- Revising our eligible hardships and Borrower documentation requirements for alternatives to foreclosure
- Revising our deed-in-lieu of foreclosure (DIL) requirements to permit Servicers to:
 - Evaluate the Borrower for a DIL without obtaining or reviewing a complete Borrower Response Package in certain circumstances
 - Authorize payment of up to an aggregate \$6,000 to subordinate lien holders
- Incorporating into the Guide the communication time lines for short sales previously announced in Bulletin 2012-9
- Updating the Guide to extend the Servicemember’s Civil Relief Act (SCRA) foreclosure protection period and expiration date, and to provide for postponement of foreclosure to a surviving spouse of a service member whose death was service-related
- Announcing an increase in the foreclosure attorney fee for Mortgages secured by properties located in Oregon

STANDARD SHORT SALE

Effective for new short sale evaluations conducted on or after November 1, 2012

With this Bulletin, we are providing complete requirements for the Standard Short Sale. The Standard Short Sale provides Servicers delegated authority to approve a short sale in accordance with the requirements of Guide Chapter B65, *Workout Options*. It also revises the non-delegated short sale workout option contained previously in Chapter B65 and provides Servicers with delegated authority to decision most short sale transactions.

Servicers must evaluate Borrowers for a Standard Short Sale in accordance with the evaluation hierarchy for alternatives to foreclosure outlined in Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*.

In addition, we are revising our requirements for service members who may be seeking a short sale as a result of having received Permanent Change of Station (PCS) orders. While we currently recognize PCS orders as an eligible hardship under distant employment transfer/relocation when evaluating a Borrower for a short sale, the Servicer now has delegated authority to decision such a short sale on both current and delinquent Mortgages without requiring a cash or promissory note contribution from the service member provided all eligibility requirements in the Guide are met, including that the Mortgaged Premises serves as the service member's Primary Residence and was purchased by the Borrower on or before **June 30, 2012**.

Sections B65.35, *What is a Short Sale*, through B65.41, *Closing, Reporting and Remittance Requirements for Short Sales and Make-Whole Preforeclosure Sales*, have been substantially revised to incorporate the requirements related to the Standard Short Sale, including:

- Borrower, property and Mortgage eligibility
- Approval authority
- Borrower documentation (including a provision for reduced documentation requirements for seriously delinquent Mortgages)
- Listing price guidance
- Borrower contribution requirements and eligibility requirements for Borrower relocation incentives
- Payments to subordinate lien holders that will require each lien holder to release its lien(s), extinguish the secured debt(s) and waive the right to pursue the deficiency
- Sales transaction and processing requirements
- Closing and reporting the short sale
- A new process to obtain a property valuation for a Standard Short Sale (see details below in the Bulletin section titled "Obtaining a property value for a Standard Short Sale")

In addition, we are providing:

- New Guide Exhibit 97, *Short Sale Affidavit*, a template representative of the short sale affidavit requirements set forth in Section B65.40, *Sales Transaction and Processing Requirements*. Servicers may use the short sale affidavit template when requiring parties to the transaction to attest that the short sale constitutes an "arm's length" transaction
- Revisions to Exhibit 93, *Evaluation Model Clauses*, including:
 - Updates to the content of the "Non-HAFA Short Sale" evaluation model clause, which has been renamed as the "Standard Short Sale Evaluation Model Clause"
 - The addition of the "Standard Short Sale – Foreclosure Sale Date Scheduled" evaluation model clause
- Additional details on foreclosure suspension and evaluation response requirements to provide further clarity (see details below in the Bulletin section titled "Foreclosure suspension and evaluation response")

Servicers must continue using Workout Prospector[®] to submit short sale transactions to Freddie Mac. Workout Prospector will be updated in the near future to reflect the delegated authority associated with the Standard Short Sale requirements set forth in this Bulletin and the Guide. Freddie Mac will provide further information in an upcoming communication about enhancements to Workout Prospector supporting the new Standard Short Sale requirements.

Obtaining a property value for a Standard Short Sale

We have updated Chapter B65 and Chapter 65, *Loss Mitigation*, to reflect our new process to obtain a property value for a Standard Short Sale. Rather than requesting an interior Broker's Price Opinion (BPO) via BPOdirect®, Servicers must submit a request to Freddie Mac for the property value via the Service Loans application when evaluating an eligible Borrower for a Standard Short Sale. An "Estimated Market Value" of the Mortgaged Premises and the "Minimum Net Proceeds" as determined by Freddie Mac will be returned by the Service Loans application with a "good through date" indicating the length of time the estimated market value of the Mortgaged Premises and minimum net proceeds will be valid.

Effective **November 1, 2012**, Servicers must retrieve a property value and minimum net proceeds from the Service Loans application for Mortgages that are 31 days or more delinquent. However, if the Borrower is current or less than 31 days delinquent, the Servicer must:

- Continue to request a property value from BPOdirect as set forth in Section 65.39, *Obtaining a Property Value through BPOdirect®*, for a Standard Short Sale
- Request the minimum net proceeds from Freddie Mac by sending an e-mail to shortsales@freddiemac.com with the following information: the Freddie Mac loan number, Servicer name, Servicer loan number and contact information

The Service Loans application will be updated in the future to accommodate requests for property values and minimum net proceeds relating to Borrowers who are current or less than 31 days delinquent. Freddie Mac will notify Servicers in a future Bulletin when the Service Loans application has been updated.

There is no change to the requirement that the Borrower must allow interior access to the Mortgaged Premises to complete the property valuation for a short sale.

Refer to Section B65.38, *Property Valuation and Minimum Net Proceeds*, for the requirements related to obtaining a property value and minimum net proceeds via the Service Loans application.

Servicer access to the Service loans application

In order to use the new functionality to obtain a property value and the minimum net proceeds, Servicers must enroll for a new authorized user role, "Workout – Specialist", in the Service Loans application. This new user role enables the user to submit a request and to receive, view and search for the Minimum Net Proceeds (MNP) and Estimated Market Value (EMV). We have updated the following Guide forms to add this new user role:

- Form 902, *Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only*
- Form 902A, *Addendum to Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only*
- Form 902SA, *Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only*
- Form 902ASA, *Addendum to Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only*

To designate an authorized employee(s) to this new user role, Servicers or authorized Servicing Agents must complete and submit the updated Form 902 or Form 902SA, as applicable, together with the Form 902A or Form 902ASA if needed. Within five Business Days of receiving the correct completed form, we will e-mail User IDs for all authorized users to the Customer Administrator designated as the Servicer's Service Loans application Primary Contact.

Servicers must submit the correct, completed form(s) no later than **October 15, 2012** in order to have the functionality available by November 1, 2012 for Mortgages that are 31 days or more delinquent.

Refer to Section A50.7, *Security and Servicer Responsibilities*, for the requirements related to the submission of Forms 902 and 902SA, including requirements for requesting approval to engage a Servicing Agent and authorization of such Servicing Agent to access the Service Loans application.

Foreclosure suspension and evaluation response

With respect to short sale evaluations, we have revised our foreclosure suspension and evaluation response requirements to provide additional clarity to:

- Foreclosure initiation and suspension requirements when the Servicer is evaluating a Borrower Response Package with or without a purchase offer
- The Servicer's evaluation response requirements when a foreclosure sale has been scheduled and a Borrower Response Package has been received, but the Borrower has yet to receive a purchase offer

Sections 64.6(d), 66.9.1, *When to Initiate Foreclosure on a First-Lien or a Second Mortgage/Home Improvement Loan (HIL)*, and 66.41, *Complete Borrower Response Packages Received after Foreclosure Has Been Initiated*, have been updated to reflect this update.

HAMP EXTENSION AND HAFA EXPIRATION

In Bulletin 2012-10, Freddie Mac announced the extension of HAMP and HAFA for Freddie Mac Mortgages through **December 31, 2013** and advised Servicers that additional details regarding the extension would be provided in a subsequent Bulletin.

With this Bulletin, we are providing the additional details with respect to the extension of HAMP. However, as a result of the new Standard Short Sale option being announced in this Bulletin, Freddie Mac's HAFA initiative will expire at the end of this year **in accordance with the original program expiration date of December 31, 2012**.

HAMP extension requirements

For a Mortgage to be eligible for HAMP, a complete Borrower Response Package or a substantially complete Borrower Response Package must be mailed by the Borrower on or before **December 31, 2013**. A substantially complete Borrower Response Package is a package that is missing only the hardship documentation. In addition, a HAMP modification must have a Modification Effective Date on or before **September 30, 2014**. However, Servicers are reminded that pursuant to the requirements of Section C65.7(d), HAMP modifications must have a first payment due date of the first of the month (i.e., no later than September 1, 2014).

Refer to updated Section C65.4, *Eligibility*, for additional information.

HAFA expiration requirements

Section D65.3, *HAFA Consideration*, currently provides that Borrowers may be accepted into HAFA if a Short Sale Agreement ("SSA") or Deed-in-Lieu Agreement ("DIL Agreement") is fully executed by the Borrower and received by the Servicer on or before **December 31, 2012**. Prior to offering the Borrower an SSA or DIL Agreement, the Servicer must ensure there is sufficient time for the Borrower to fully execute and return the agreement by the program expiration date.

If there is insufficient time to meet the program requirements by the HAFA expiration date, Servicers must consider Borrowers for a short sale or DIL in accordance with Chapter B65.

We will update the Guide in a future Bulletin to delete Chapter D65, *Home Affordable Foreclosure Alternatives* and remove references to HAFA.

ELIGIBLE HARDSHIPS AND BORROWER DOCUMENTATION

Effective for all new evaluations for alternatives to foreclosures conducted on or after November 1, 2012

We have revised our requirements for eligible hardships and Borrower documentation for alternatives to foreclosure. These revised requirements will apply to certain relief and all workout options, and include the following:

- Revisions to the list of eligible hardships

- Revisions to the documentation requirements in support of certain hardships, including the elimination of the requirement that a Borrower provide a written explanation describing the specific nature of his or her hardship, except in certain cases
- Clarifying income documentation requirements for salaried or hourly wage earners

In addition, we have updated the Guide to provide guidance to Servicers on the calculation of gross income when the Borrower's income is non-taxable.

The changes to the hardship and Borrower documentation requirements are effective for all new evaluations for alternatives to foreclosure conducted on or after **November 1, 2012**, but Servicers are strongly encouraged to adopt the changes earlier for all new requests for evaluation.

Sections 65.17, *Verifying a Borrower's Hardship*, 65.18, *Borrower Income Documentation*, and Form 710, *Uniform Borrower Assistance Form*, have been revised to reflect these changes.

REDUCED DOCUMENTATION AND MAXIMUM SUBORDINATE LIEN PAYOUTS FOR DILs

Effective November 1, 2012

We are revising our DIL requirements to permit Servicers to:

- Submit a recommendation to Freddie Mac for a DIL without obtaining a Borrower Response Package or Borrower contribution toward the deficiency if the Borrower is 90 days or more delinquent and has a FICO score less than 620 as of the evaluation date. Servicers should refer to Section B65.44, *Eligibility Requirements*, for additional detail related to this change.
- Authorize payment of up to an aggregate \$6,000 to subordinate lien holders in exchange for a lien release and extinguishment of the indebtedness secured by the Mortgaged Premises. Servicers may divide the payment among subordinate lien holders to maximize the chances that all subordinate lien holders will release their liens and extinguish the debts, provided that the aggregate payout does not exceed \$6,000.

These changes align with similar changes announced in this Bulletin for the Standard Short Sale.

Sections B65.44 and B65.47, *Approval Conditions*, have been updated to reflect these changes.

SHORT SALE COMMUNICATION TIME LINES

Effective June 15, 2012

In Bulletin 2012-9, we provided short sale communication time line requirements that Servicers must comply with when evaluating and responding to a Borrower request for a short sale. With this Bulletin, we have updated Chapters 64, *Delinquencies*, B65 and D65, *Home Affordable Foreclosure Alternatives*, to reflect these requirements that became effective on **June 15, 2012**.

SERVICE MEMBER UPDATES

Effective November 1, 2012

We have updated Section 82.1, *Military Relief*, to provide for postponement of a foreclosure to a surviving spouse of a service member whose death was service-related, when the surviving spouse is the owner, successor in interest or otherwise has title to the Mortgaged Premises and resides in the Mortgaged Premises as his or her Primary Residence.

We have also revised the Guide to provide that Servicers must not initiate or resume foreclosure for at least 12 months after the service member has been released from active duty, or the date the surviving spouse receives notice of service-related death when the release or receipt of notice of death occurs on or before **December 31, 2014**.

Sections 66.12.1, *Approving Initiation of Foreclosure on Mortgaged Premises Owned by Borrowers in Active Military Service*, and 82.1 have been updated to reflect these changes.

CHANGE IN ATTORNEY FEE LIMIT – OREGON

Effective January 1, 2012

With this Bulletin, we are updating Freddie Mac's limits for foreclosure attorney fees for foreclosure referrals on Mortgages secured by properties located in Oregon. Effective on or after **January 1, 2012**, for foreclosure referrals proceeding judicially, the attorney fee limit is increased to \$2,050.00.

Until further notice, in order to be reimbursed for the increased fee amount, Servicers must submit a request for pre-approval (RPA) via the RPA functionality in the Reimbursement System.

We will update Exhibit 57A, *Approved Attorney Fees and Title Expenses*, to reflect this change in a subsequent Bulletin.

TRAINING

To help Servicers further understand the Standard Short Sale option and requirements related to obtaining a short sale property value from Freddie Mac, we highly encourage you to enroll in our new webinar, *Bulletin 2012-16: Freddie Mac's Standard Short Sale*, through Freddie Mac's Learning Center. Additional components of the Bulletin will also be included.

Information is available at:

http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=FM_ShortSale.

Servicers should visit the Learning Center web page at: <http://www.freddiemac.com/learn/service/> for additional Servicing training information and training resources.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 7, 37, 51, 57, 64, 65, A65, B65, C65, D65, 66, 71, 76, 77, 78, 79, 82 and A83
- Forms 710, 902, 902A, 902SA and 902ASA
- Exhibits 60, 61, 93, 96 and 97
- Directory
- Glossary

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,



Tracy Hagen Mooney
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Single-Family Servicing and REO