

Bulletin

NUMBER: 2012-20

TO: Freddie Mac Sellers and Servicers

October 3, 2012

SUBJECTS

Selling and Servicing requirements are amended with this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin.

BACKGROUND

At the direction of the Federal Housing Finance Agency (FHFA), Freddie Mac and Fannie Mae (the “Enterprises”) have worked together to revise and develop a consistent framework for measuring Servicer performance, as well as for identifying Servicing-related violations and assigning remedies for such violations.

Certain requirements contained in this Bulletin that are related to general eligibility requirements or portfolio actions (i.e., Transfers of Servicing, suspension, disqualification and the termination of a Seller and/or Servicer) impact both Sellers and Servicers. We have identified those cross-impact requirements. Sellers and Servicers should review the Bulletin section titled “PORTFOLIO ACTIONS,” as well as the related Guide sections to ensure they have an understanding of the requirements.

REQUIREMENTS

Bulletin 2011-13 announced the Freddie Mac Servicing Success Program, which redefined Freddie Mac’s expectations for quality and responsible Servicing. The requirements announced in this Bulletin build on the success of that program, and, through our work with Fannie Mae, provide Servicers with greater clarity, consistency and transparency across the Enterprises on how Servicer performance will be measured. Further, this joint effort provides Servicers with a better understanding of the Servicing activities requiring greater focus, and the potential implications of noncompliance with each Enterprise’s requirements through consistency in the application of remedies.

Specifically, with this Bulletin we are:

- Revising the Servicer Success Scorecard criteria
- Providing repurchase and appeal time lines for Servicing violations
- Deleting, revising and adding compensatory fees
- Revising our requirements for Seller and/or Servicer terminations and Transfers of Servicing

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective **January 1, 2013**, unless otherwise noted.

SERVICER SUCCESS SCORECARD

The new Servicer Success Scorecard criteria will be effective with a Servicer's **January 1, 2013** performance. These performance results will be visible on the Servicer Performance Profile web site on **March 7, 2013**. We will provide a preview period during which our Servicers will be able to view their performance against the new criteria; we will notify Servicers when the preview period begins.

Servicers should begin to review their operations to determine what may need to be changed in order to meet our revised Servicer Success Scorecard criteria.

Certain Servicers will receive individual performance requirements from their Freddie Mac representatives in the fourth quarter of 2012. For such Servicers, their Freddie Mac representative will review the specific objectives and goals contained in their Servicer Success Account Plan and work with the Servicer to mitigate challenges and implement action plans for improvement.

Several of our current criteria have been revised to ensure consistency in measuring the activities and outcomes of importance to the Enterprises.

The following tables compare the current criteria to the revised criteria. While current and future criteria may be aligned in the table below, it should not be assumed that the calculation of the criteria will remain the same. Refer to Attachment A of this Bulletin, *Definitions for the Revised Servicer Success Scorecard Criteria*.

Investor reporting criteria

Current Criteria	Future Criteria
Cash Management	
Shortage Percentage	Shortage Percentage
Custodial Account Review	
Data Integrity and Operational Management	
% of Aged Applied Transactions in Error	Percent Hard Rejects* Over 90 Days Old
	Percent Soft Rejects** Over 90 Days Old
% of Applied Transactions in Error	Percent of Hard Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio
	Percent of Soft Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio
	Percent of Ending Hard Rejects to Total Loans in Portfolio
Average Age of Days to Report Payoffs	Average Number of Days to Report Payoffs

* **Hard rejects - Not cleared in the system and require Servicer intervention to correct**

** **Soft rejects - Rejects that were within the tolerance and automatically cleared by the system**

Although the performance results for the Custodial Account Review criteria will no longer appear on the Servicer Success Scorecard, Servicers will continue to be measured on their compliance with Freddie Mac's custodial account reconciliation requirements. A Servicer's performance results in the management of Freddie Mac's Custodial Accounts will be considered, together with other factors, in evaluating whether the Servicer's overall performance is unacceptable for purposes of Guide Section 5.2, *Disqualification or Suspension of the Seller or the Servicer*.

Further, as provided in Section 79.5, *Freddie Mac's Rights*, Freddie Mac reserves the right to request that the Servicer submit copies of Custodial Accounts and/or related Time Deposit records at any time. We will periodically review a Servicer's Custodial Account performance and will provide the Servicer with written review results.

Default management criteria

Current Criteria	Future Criteria
Loss Mitigation	
Early Collections Roll Rate	Transition to 60+
	60 to Worse
	90+ to Better
Late Collections Roll Rate	90+ to Worse
D60+ Workout to D60+ Inventory	Retention Efficiency
	Liquidation Efficiency
Workout Effectiveness	
	6-Month Performance
	12-Month Performance
	Timing of Liquidation Solutions
Default Timeline Management	
D90+ Loans Past Foreclosure Referral Standard	
	Loans Beyond FCL Sale Threshold
Inventory Past Standard	Avg Age Past FCL Sale Std

Data integrity

Current Criteria	Future Criteria
Initial Electronic Default Reporting (EDR) Edits	Initial Delinquency Reporting Edits
6 th BD EDR Edits	Final Delinquency Reporting Edits
Accuracy of Due Date of Last Paid Installment (DDLPI) Reporting	Accuracy of DDLPI Reporting
Average Days to Report Foreclosure Sales	Timely REO Notifications

Definitions for each of the criteria on the Servicer Success Scorecard are set forth in Attachment A.

Servicers will be notified when weights are assigned to each criterion.

Reminder - Freddie Mac Servicer Success File Review criteria

For those Servicers that receive a File Review, performance results for the following criteria will continue to appear on the Servicer Success Scorecard:

- Prudent Servicing Review
- Short Sale Compliance Review
- Loan Modification Compliance Review

The requirements for Servicer Success File Reviews have not changed and can be found in Section 51.9.1, *Freddie Mac Servicer Success File Reviews*.

Other changes

Effective **October 3, 2012**, we have slightly revised Section 51.11, *Servicer Performance Criteria*, to clarify the factors Freddie Mac evaluates when determining whether a Servicer's overall performance is unacceptable for purposes of Section 5.2.

Complete Borrower Response Package (BRP) and Delinquency Improvement Performance Standard

The changes to the BRP Monthly Progress Report will be effective for Mortgages included in a collection period on or after **May 1, 2012**.

In addition to results based on the Servicer Success Scorecard criteria mentioned above, Servicers also receive other performance results through Default Reporting ManagerSM, including the “BRP Monthly Progress Report.” This report, which reflects a Servicer’s performance for each Delinquent Borrower Population measured during the collection period, will be amended to exclude completed repurchases from the Borrower response population to align with current industry practices. Servicers will be notified when the report has been updated.

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.

Section 65.8, *Performance Standards*, has been updated to reflect this change.

REMEDIES

Mortgage record requests

As we continue to enhance the tools we use to analyze Servicing data and determine if Servicers are Servicing in accordance with Guide requirements, Freddie Mac will continue to request Mortgage records for the purpose of conducting Servicer Success File Reviews, as well as in connection with an audit or for any other purpose. As a result, Servicers may see an increase in such Mortgage record requests.

Servicers must deliver the requested Mortgage records within 30 days from the date of the request. Freddie Mac, in its sole discretion, may request the documentation in a shorter or longer period of time based upon the circumstances at the time.

A Servicer’s failure to submit the requested Mortgage records within the time frame specified by Freddie Mac will be considered a violation of the Purchase Documents, and Freddie Mac will pursue all rights and remedies available under the Purchase Documents and applicable law.

Section 51.9, *Audits and Access to Mortgage Records*, has been amended to reflect these changes.

Curing a violation

If Freddie Mac identifies a Servicing violation and, in its sole discretion, determines that the violation of a Servicer’s obligations may be cured, Freddie Mac may provide the Servicer an opportunity to cure such violation within a specified time period. In such a situation, the Servicer will be provided with written notification of the violation and the time period to cure such a violation. In such case, even if the Servicer cures the violation, Freddie Mac reserves the right to require the Servicer to indemnify Freddie Mac for any loss, damage or expense that it may sustain.

For example, a lien may attach during the Servicing of a Mortgage so that Freddie Mac does not have clear title through foreclosure. If a Servicer is notified or otherwise becomes aware that there is such a title defect with a Mortgage, the Servicer must notify Freddie Mac and cure such defect. In accordance with the Purchase Documents, Freddie Mac may require the Servicer to repurchase Freddie Mac’s interest in a Mortgage as a result of the title defect. However, Freddie Mac, in its sole discretion, may provide the Servicer with up to 90 days to cure a title defect from the date of Freddie Mac’s letter notifying the Servicer of the violation and the time period to cure such a violation. As noted above, specific details regarding a cure for a violation, if applicable, will be provided in the notice of the defect sent to the Servicer by Freddie Mac.

In this example, if the title defect is not resolved to Freddie Mac’s satisfaction within 90 days from the date of Freddie Mac’s letter notifying the Servicer of the violation, Freddie Mac may require the Servicer to repurchase the Mortgage.

Freddie Mac’s determination as to whether the cure is sufficient is conclusive.

Repurchase and repurchase alternatives

Consistent with its customary practices, Freddie Mac may, in addition to any other remedy available at law or in equity, require a Servicer to repurchase Freddie Mac's interest in a Mortgage. Freddie Mac may, at its sole discretion, provide the Servicer with an alternative to the immediate repurchase of the identified Mortgage, such as payment of an amount determined solely by Freddie Mac, to indemnify or otherwise make Freddie Mac whole for any losses, expenses (including court costs and reasonable attorney fees) or other damages. If the Servicer does not comply with the terms of the repurchase alternative and does not remit payment or file an appeal, the repurchase alternative is rescinded and no longer available and Freddie Mac may then require repurchase.

Due to the evolution of the tools we use to measure performance, including the Servicer Success Scorecard and Servicer Success File Reviews, and the effort by the Enterprises to apply consistent remedies, Servicers that do not service Freddie Mac Mortgages in accordance with their Purchase Documents will continue to receive remedy requests, and those remedy requests may increase.

Time lines for repurchases and repurchase alternatives for Servicing violations

In the event Freddie Mac requires a Servicer to repurchase Freddie Mac's interest in a Mortgage, the Servicer must either repurchase Freddie Mac's interest in the identified Mortgage within 60 days of the date of Freddie Mac's request, or such other time frame as specified by Freddie Mac, or file an appeal.

Note we are reminding Servicers that Mortgages that are subject to repurchase include active Mortgages, inactive Mortgages and Real Estate Owned (REO) and all other post-foreclosure situations pursuant to the provisions of Section 72.3, *Repurchase Price*.

If Freddie Mac offers a Servicer an alternative to repurchase as described above, the Servicer must either remit payment or file an appeal within 60 days of Freddie Mac's request for payment. If Freddie Mac subsequently requests repurchase for the same Mortgage based upon the same Servicing violation, the appeal provisions of Section 72.6.1, *Appealing a Repurchase Request or Repurchase Alternative Issued Due to Servicing Violations*, shall not apply.

Appeals

Any appeal of Freddie Mac's repurchase request or repurchase alternative request must be made in accordance with the requirements of Section 72.6.1. Pursuant to that section, upon receipt of a repurchase or repurchase alternative request for one or more of the violations set forth in Section 72.1.1, *Repurchases and Repurchase Alternatives Required by Freddie Mac Due to Servicing Violations*, if a Servicer has additional supporting information and/or documentation that may affect Freddie Mac's decision, the Servicer may file an appeal.

The appeal process is as follows:

1. Within 60 days from the date of Freddie Mac's repurchase or repurchase alternative notification letter or within such other time frame as specified by Freddie Mac, the Servicer may submit a written appeal. If no written appeal is received within the 60-day period or within such other time frame as specified by Freddie Mac, we will assume the Servicer does not contest the request and will remit payment to Freddie Mac.
2. An appeal must be sent in writing to the Freddie Mac office referenced in Freddie Mac's letter
3. The appeal package must contain:
 - A statement of all relevant facts concerning the Servicing of the Mortgage
 - A statement of why Freddie Mac's decision should be reversed
 - Any available documentation supporting the basis for the appeal
4. Freddie Mac will review the appeal and advise the Servicer in writing of the appeal decision

5. If the appeal is denied, then:

- The Servicer must repurchase or remit payment, as applicable, within 15 days from the date of Freddie Mac's denial letter or within such other time frame as specified by Freddie Mac, or
- If new material information that was not available at the time of the first appeal becomes available after submission of the first appeal, the Servicer may submit an additional appeal of the request within 15 days from the date of Freddie Mac's denial. The appeal must contain the same information described above and be supported by the new material information. Freddie Mac, in its sole discretion, will determine whether to consider such additional appeal.

Sections 72.1.1 and 72.6.1 have been added to reflect these requirements.

Compensatory fees

In addition to any other Freddie Mac remedy specified in the Guide and the Seller/Servicer's other Purchase Documents, Freddie Mac may assess compensatory fees for violations of a Servicer's obligations with respect to Mortgages serviced on Freddie Mac's behalf. With this Bulletin we have revised, added and deleted certain compensatory fees as further described below. Guide Exhibit 96, *Servicing Incentives and Compensatory Fees*, has been revised to reflect these changes, together with the Guide sections identified below.

Balloon/Reset Mortgages

We are deleting the following Balloon/Reset Mortgage compensatory fees:

- Late Disposition
- Late Document Delivery
- Late Reset

Sections 78.51, *Contract Noncompliance and Contract Change*, A83.17, *Borrower Intention to Reset*, A83.54, *Reset Mortgage Package*, and A83.60, *Delivering Documents to Document Custodian*, have been updated to delete references to these compensatory fees.

Failure to use designated counsel or trustee when required

We are deleting the compensatory fee for a Servicer's failure to use a designated counsel or trustee when required. Until Freddie Mac publishes changes to its designated counsel program, Servicers must continue to adhere to the requirements in Section 66.15, *How to Select Foreclosure Counsel or Trustee*.

Section 66.15.1, formerly *Compensatory Fee for Failure to Use Designated Counsel or Trustee when Required*, has been renamed *Foreclosure Time Line Compensatory Fee Protection for Use of Designated Counsel or Trustee when Required*, and amended to delete references to this compensatory fee.

Research and reconstruction

We are deleting the research and reconstruction compensatory fee assessed when the Servicer does not maintain accurate Servicing records and requests research and/or reconstruction of data previously reported by the Servicer. Servicers are reminded of their obligation to maintain accurate Servicing records in accordance with Guide Chapter 52, *Mortgage File Retention*.

Section 78.51 has been updated to delete references to this compensatory fee.

Contract noncompliance and contract change

We are increasing the contract noncompliance and contract change compensatory fee from \$100 per Mortgage to \$500 per Mortgage when incorrect information is received from the Seller and/or Servicer and we must correct errors in our database in order to accurately reflect the Mortgage status and Borrower history of default. The database corrections include, but are not limited to, data transmitted through EDR and loss mitigation reporting errors.

Section 78.51 has been updated to revise this compensatory fee.

Reporting noncompliance compensatory fee (all loans)

Freddie Mac currently requires assessment of this compensatory fee if a Servicer failed to report all required information for at least 75% of the Mortgages that it services for Freddie Mac by the fifth Business Day after the accounting cycle cutoff. We have amended this compensatory fee so that it will be assessed on every Mortgage when the Servicer does not report the required information for at least **80%** of the Mortgages by the fifth Business Day after the accounting cycle cutoff, in the following amounts:

IF the noncompliance violation within a consecutive 12-month period is the Servicer's...	THEN the reporting noncompliance compensatory fee is...	AND the Servicer...
First violation	Greater of \$250 or \$50 per loan, up to \$5,000 (previously \$5,000)	
Second violation	Greater of \$500 or \$50 per loan, up to \$10,000 (previously \$10,000)	May be required to attend a reporting training seminar at the Servicer's expense
Third violation or more	Greater of \$1,000 or \$50 per loan, up to \$15,000 (previously \$15,000)	

Section 78.47.1, *Reporting Noncompliance Compensatory Fees – All Loans*, has been revised to reflect these changes.

REO rollback

A Servicer will be assessed a compensatory fee in an amount equal to \$1,000 per occurrence for administrative costs plus any third-party costs, when a foreclosure sale occurs, but Freddie Mac must process an REO rollback. Freddie Mac will not reimburse foreclosure fees and costs for the improper foreclosure that resulted in an REO rollback.

Section 66.56, *Reporting Foreclosure Sale Results*, has been revised to reflect this change.

Electronic Default Reporting noncompliance

Effective April 1, 2013

The Electronic Default Reporting noncompliance compensatory fee, previously referred to as the reporting noncompliance compensatory fee, was assessed on a per unreported loan basis when a Servicer failed to report the delinquent loans it is Servicing for Freddie Mac through EDR, within the first three Business Days of a month. We have renamed this compensatory fee and revised the fee amounts as follows:

IF the noncompliance violation within a consecutive 12-month period is the Servicer's...	THEN the noncompliance compensatory fee is...	AND the Servicer...
First violation	Greater of \$250 or \$50 per loan, up to \$5,000 (previously \$250)	
Second violation	Greater of \$500 or \$50 per loan, up to \$10,000 (previously \$550)	May be required to attend a reporting training seminar at the Servicer's expense
Third violation or more	Greater of \$1,000 or \$50 per loan, up to \$15,000 (previously \$1,000)	

Section 78.47.2, *Electronic Default Reporting (EDR) Noncompliance Compensatory Fees*, has been revised to reflect these changes.

Cash remittance interest reimbursement

We assess the cash remittance interest reimbursement compensatory fee, formerly referred to as the late remittance interest reimbursement compensatory fee, when a Servicer fails to comply with the remittance requirements in Chapter 78, *Reporting and Remitting Requirements*. In addition to revising the name of this compensatory fee, we are introducing a tiered assessment approach. While Freddie Mac will continue to multiply the amount of the remittance shortage by the highest quoted prime rate printed on the first Business Day following the 15th of each month in the print edition of *The Wall Street Journal* in its regular column entitled “Money Rates” plus 3%, the compensatory fee will now be subject to the following minimum charges:

- First instance: No less than \$250 in any given month
- Second instance: No less than \$500 in any given month
- Third instance or more in 12 months: No less than \$1,000 in any given month

Section 78.50, *Cash Remittance Interest Reimbursement Compensatory Fee*, has been amended to reflect these changes.

Late execution of REO repurchase

The late execution of REO repurchase compensatory fee was previously included in the late remittance interest reimbursement compensatory fee; however, we are separating this component of the fee for late remittances on Mortgages when our repurchase request is provided to a Servicer after foreclosure has been completed and the property has converted to an REO. For such late remittances, we will not apply the minimum charges that will be applied to the cash remittance interest reimbursement compensatory fee described above. For this violation, Freddie Mac will continue to multiply the amount of the remittance shortage by the highest quoted prime rate printed on the first Business Day following the 15th of each month in the print edition of *The Wall Street Journal* in its regular column entitled “Money Rates” plus 3%. There is a minimum charge of \$50 on any late remittance.

Section 72.7, *Late Execution of REO Repurchase*, has been added to include this compensatory fee.

Aged data errors

The aged data errors compensatory fee will now be \$100 per loan, per occurrence, not to exceed \$15,000 in a given month, when a Servicer has an unresolved monthly loan-level reporting error for 90 days or more. Previously, Freddie Mac assessed a \$250 compensatory fee per Servicer for each accounting cycle in which there were such unresolved monthly loan-level reporting errors.

Section 78.48, *Aged Data Errors Compensatory Fee*, has been revised to reflect this change.

Unauthorized Transfers of Servicing

In accordance with the requirements in Section 51.24, *Transfer of Servicing*, and Chapter 56, *Transfers of Servicing*, Servicers must obtain Freddie Mac’s prior written approval for all Transfers of Servicing.

We are updating the Guide to add a new compensatory fee when unauthorized Transfers of Servicing occur. The amount of the compensatory fee will vary, but will not exceed 1% of Freddie Mac’s share of the unpaid principal balance (UPB) of the Mortgages that are being transferred without Freddie Mac’s prior written approval. The imposition of this compensatory fee does not limit Freddie Mac’s right to suspend or disqualify the Transferor Servicer and purported Transferee Servicer, or to exercise any of its other rights under the Purchase Documents.

Sections 51.24 and 56.3, *Submitting Requests for Transfers of Servicing*, have been amended to reflect this new compensatory fee.

Unreported transactions and loan simulation

We are assessing a new compensatory fee of \$100 per Mortgage when a Servicer fails to correct reporting errors by the end of the month minus four Business Days. Section 78.8, *Correcting Reporting Errors*, requires Servicers to monitor all Edit Error reports (Edits to be Cleared, System Cleared Edits, and Loan Level Missing) provided by Freddie Mac daily. If the Servicer discovers an error after it has transmitted its accounting reporting information, the Servicer must take immediate action to:

- Correct the source of the error
- Transmit a revision to Freddie Mac that reflects the Borrower's payment activity or disposition of the Mortgage
- Adjust remittances, if necessary

This fee will not be assessed if a Servicer has been assessed the reporting noncompliance (all loans) compensatory fee.

Section 78.47.3, *Unreported Transactions and Loan Simulation Compensatory Fee*, has been added to reflect this new compensatory fee.

Expense reimbursement curtailment

Freddie Mac currently has the right to deny a Servicer's request for reimbursement of expenses if Freddie Mac does not receive the Servicer's request within the required time frames specified in Section 71.13, *Claim Submission Types and Time Frames*. Effective with this Bulletin, Freddie Mac may curtail the reimbursement in lieu of denial of the reimbursement in its entirety if Freddie Mac does not receive the Servicer's request within the required time frames.

Section 71.12, *Freddie Mac's Rights*, has been updated to reflect this change.

Reminders to Servicers

A number of tools are available to Servicers to avoid or reduce Freddie Mac's application of remedies for violating the requirements of a Servicer's Purchase Documents. Those tools include the detailed requirements provided in the Guide and a Servicer's Purchase Documents, as well as the various Servicing-related training programs provided through Freddie Mac's Learning Center.

Servicers should thoroughly familiarize themselves with Volume 2 of the Guide, including, but not limited to, the Guide sections referenced in this Bulletin, as well as the following Guide chapters:

- Chapter 65, *Loss Mitigation*
- Chapter B65, *Workout Options*
- Chapter C65, *Home Affordable Modification Program*
- Chapter D65, *Home Affordable Foreclosure Alternatives*
- Chapter 66, *Foreclosure*
- Chapter 67, *Adverse Matters*
- Chapter 68, *Servicing Mortgages Impacted by a Disaster*

PORTFOLIO ACTIONS

Effective immediately

Pursuant to the Guide, Freddie Mac may disqualify or suspend a Seller and/or Servicer with or without cause, and may require a Servicer to transfer Servicing. Further, Seller/Servicers may proactively request a voluntary termination of their status as a Freddie Mac-approved Seller and/or Servicer.

With this Bulletin, we have revised certain provisions and restructured the Guide sections related to:

- Disqualification or suspension of the Seller and/or the Servicer
- Voluntary Termination of Seller and/or Servicer eligibility
- Appealing Seller and Servicer suspensions and terminations
- Liabilities of the Transferor Servicer and Transferee Servicer
- Termination of Servicing – with and without cause
- Termination of Servicing due to the sale of Mortgages by Freddie Mac

We have also amended certain provisions related to Transfers of Servicing.

Servicers are reminded that in the event of any Transfer of Servicing, the Transferee Servicer's assumption of responsibilities, representations and warranties upon transfer does not release the Transferor Servicer of its responsibilities, representations and warranties with respect to the transferred Mortgages.

Disqualification or suspension of the Seller and/or Servicer

We have refined the list of sub-portfolio characteristics in our Delinquency and REO rate comparisons to include Borrower characteristics and Mortgage characteristics (e.g., origination year, loan-to-value ratio, and documentation type -- full or reduced documentation) as a basis for making Delinquency and REO rate comparisons, as well as slightly amended the descriptions of unacceptable Servicer performance and adverse financial changes.

We have also identified liquidity and profitability as two examples of the types of financial requirements Freddie Mac may impose in addition to its Acceptable Net Worth requirements.

Sections 4.3, *Acceptable Net Worth and Other Financial Requirements*, 5.2 and 64.2, *General Requirements*, have been updated to reflect these changes.

Voluntary termination of status as a Freddie Mac Seller and/or Servicer

As currently provided in the Guide, a Seller and/or Servicer may request a voluntary termination of its status as a Freddie Mac-approved Seller and/or Servicer by submitting a request giving notice to Freddie Mac of its intent to voluntarily terminate. We have updated Section 5.3.1, *Request for Voluntary Termination of Status as a Freddie Mac Seller or Servicer*, to clarify that Freddie Mac may condition its approval on requirements such as full satisfaction of the Seller or Servicer's outstanding obligations due Freddie Mac, the transfer of any portfolio, and/or compensation to Freddie Mac for a negatively-valued portfolio. In the event of a portfolio transfer, the terminated Servicer is responsible for all transfer-related expenses, and remains responsible and liable to Freddie Mac for all representations and warranties arising prior to the transfer.

Appealing Seller and Servicer suspensions and terminations

We are amending the Guide to state that Sellers and Servicers that are approved by Freddie Mac to sell or service Mortgages on or after **October 3, 2012** do not have any right to appeal Freddie Mac's determination to disqualify or suspend the Seller or Servicer.

Section 5.4, *Appeal*, has been amended to reflect this change.

Liabilities of the Transferor Servicer and Transferee Servicer

We have updated Section 56.15, *Liabilities of the Transferor Servicer and Transferee Servicer*, to memorialize that the liability of the Transferor Servicer, any prior Servicer, or the original Seller as applicable, for the responsibilities, representations and warranties with respect to the transferring Mortgages is joint and several with the Transferee Servicer. We have also updated this section to clarify liability for selling and Servicing representations, covenants and warranties with respect to Mortgages sold under the Gold Cash Xtra[®] and the Freddie Mac Selling System Servicing Released Sales Process.

Termination of Servicing with and without cause

Chapter 73, *Termination of Servicing*, provides terms and conditions under which Freddie Mac may terminate all or any portion of Servicing by the Servicer at any time with cause or without cause.

Chapter 73 has been updated to reference Freddie Mac's right to execute a partial termination of Servicing without cause, and provide additional detail regarding the Servicer's opportunity to market the portfolio and the amount of the termination fee if the Servicer is unable to do so. Freddie Mac will notify the Servicer in writing 90 days before the scheduled date of the termination of Servicing without cause. Within that 90-day period (the Notice Period), the Servicer may arrange to transfer Servicing to another Servicer, subject to Freddie Mac's approval. Such a Transfer of Servicing is subject to the requirements of Chapter 56 and, if approved, must be completed 60 days from the date that Freddie Mac approves the transfer.

In the event the Servicer is not able to arrange a transfer as set forth above, Freddie Mac will pay the terminated Servicer a termination fee calculated as follows based on the conditions existing as of the transfer date. The termination fee will be the lesser of the following:

- Two times the Net Servicing Rate (as defined below) times the UPB of the transferring Mortgages that are not delinquent. For purposes of this calculation, a Mortgage will be deemed to be delinquent if as of a month end transfer date any payment is outstanding. In the event of a Transfer of Servicing that takes place other than at month end, a loan will be deemed to be delinquent if there is any payment outstanding as of the month end immediately preceding the transfer date. No Termination Fee will be paid for a delinquent Mortgage; or
- Market value of the contractual right to service the Mortgages as established by a qualified market leader in Servicing valuations using costs reflective of Freddie Mac's cost to engage a Servicing Agent, applying protocols appropriate for the risk as determined by Freddie Mac in its sole discretion (such value, as so established, shall be conclusive)

"Net Servicing Rate" means the Note Rate of the Mortgage less all of the following, expressed as an annualized fractional percentage:

- The pass-through rate due to Freddie Mac
- Any guarantee fee due to Freddie Mac
- Any excess Servicing not retained by the Servicer
- Any lender-paid mortgage insurance
- Any other component of the Note Rate that the Servicer is not entitled to retain for Servicing the Mortgage

Section 73.1, *Termination of Servicing*, has been amended with these new requirements.

Termination of Servicing due to the sale of Mortgages by Freddie Mac

As provided in Section 2.12, *Sale of Mortgages by Freddie Mac*, Freddie Mac has the right to sell Mortgages it has purchased. We have added new Section 73.6, *Termination of Servicing Related to Sale of Mortgages by Freddie Mac*, to provide more detail regarding the rights of a Servicer in such event. Freddie Mac will notify the Servicer before the scheduled close of the purchase and will pay a termination fee to the Servicer unless the Servicer is retaining Servicing responsibilities in connection with the sale of the Mortgage. We will apply the same termination fee calculation that will be utilized for terminations of Servicing without cause (referenced above) for terminations of Servicing due to the sale of Mortgages by Freddie Mac.

Automatic Transfer of Servicing of delinquent Mortgages

Freddie Mac is reserving the right, in its sole discretion, to require Servicers to automatically transfer Servicing of any Mortgage that has two or more payments outstanding to a Servicer of Freddie Mac's choice. In the event Freddie Mac determines that it will begin requiring such automatic transfers, Freddie Mac will provide the Transferor Servicer with written notice at least 90 days in advance of the

first Transfer of Servicing date. No compensation will be paid to the Transferor Servicer. Once a Mortgage has been identified for transfer, it will be transferred to or remain with the Transferee Servicer even after it becomes current.

Freddie Mac may discontinue the monthly transfer of delinquent Mortgages at any time upon written notice to the Transferor Servicer, and may provide up to 180 days' notice prior to the discontinuation of the monthly transfer of delinquent Mortgages if requested by the Servicer.

Section 64.2 has been updated to reflect this change.

TRAINING

To help Servicers further understand the components in this Bulletin, we have developed a suite of training opportunities. To understand the new performance measurements outlined in this Bulletin, we highly encourage Servicers to enroll in our new webinars through Freddie Mac's Learning Center:

- *Servicer Success Scorecard: Revised Investor Reporting Criteria*

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

- *Servicer Success Scorecard: Revised Default Management Criteria*

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

Additionally, we are offering a new webinar to clarify Freddie Mac's Servicing violations and remedies referenced in this Bulletin. This training is available at

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

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

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 4, 5, 6, 7, 8, 51, 54, 56, 57, 64, 65, B65, 66, 71, 72, 73, 77, 78 and A83
- Exhibit 96
- Forms 960 and 981
- Glossary

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,



Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Definitions for the Revised Servicer Success Scorecard Criteria

Definitions for all the revised Servicer Success Scorecard criteria are provided in the tables below:

INVESTOR REPORTING CRITERIA

Criteria	Definition/Calculation
Cash Management	
Shortage Percentage	<p>Definition: Cumulative total of each day's cash shortage amount expressed as a percentage of the total due for the period.</p> <p>Calculation: (Sum of daily cash shortage in the period(\$)) / (Sum of daily amounts due during the period (\$))</p>
Data Integrity and Operational Management	
Percent Hard Rejects Over 90 Days Old	<p>Definition: The number of loans that have edits (edits to be cleared) outstanding greater than 90 days expressed as a percentage of the total loans in the Servicer's portfolio for that period.</p> <p>Calculation: (Hard rejects which occurred in reporting cycle > 90 days old) / (Total loans in portfolio)</p>
Percent Soft Rejects Over 90 Days Old	<p>Definition: The number of loans that have edits (system cleared edits) for greater than 90 days expressed as a percentage of the total loans in the Servicer's portfolio for that period.</p> <p>Calculation: (Soft rejects which occurred in reporting cycle > 90 days old) / (Total loans in portfolio)</p>
Percent of Hard Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio	<p>Definition: The number of loans that have initial edits (edits to be cleared) and require the Servicer to correct the transaction expressed as a percentage of the total loans in the Servicer's portfolio for that period.</p> <p>Calculation: (Number of hard rejects which occurred in reporting cycle) / (Number of loans in portfolio)</p>
Percent of Soft Rejects Which Occurred in Reporting Cycle to Total Loans in Portfolio	<p>Definition: The number of loans that have edits (system cleared edits) expressed as a percentage of the total loans in the Servicer's portfolio for that period.</p> <p>Calculation: (Number of soft rejects which occurred in reporting cycle) / (Number of loans in portfolio)</p>
Percent of Ending Hard Rejects to Total Loans in Portfolio	<p>Definition: The number of loans that have edits (edits to be cleared) that were not corrected by the Servicer prior to cycle close expressed as a percentage of the total loans in the Servicer's portfolio for that period.</p> <p>Calculation: (Number of hard rejects at end of reporting period) / (Number of loans in portfolio)</p>
Average Number of Days to Report Payoffs (FRE Only)	<p>Definition: The average number of days to report a payoff in the reporting cycle</p> <p>Calculation: (Total number of days to report payoffs) / (Total number of payoffs for the reporting cycle)</p>

* Hard Rejects - Not cleared in the system and require Servicer intervention to correct

** Soft Rejects - Rejects that were within the tolerance and automatically cleared by the system

DEFAULT MANAGEMENT CRITERIA

Criteria	Definition/Calculation
Loss Mitigation	
Transition to 60+	<p>Definition: The number of loans that roll from a less than 60 day delinquent status to a 60+ day delinquent or loss liquidation status over a three-month reporting period.</p> <p>Calculation: (60+ loan count that transitioned from the denominator pool) / (Current [<30 days] loan count + 30 day loan count 3 months prior)</p>
60 to Worse	<p>Definition: The number of 60 day delinquent loans at the beginning of the month that migrated to a 90+ delinquent or loss liquidation status at the end of the month divided by the beginning 60-day delinquent loan count.</p> <p>Calculation: (90+ loan count from the denominator pool) / (60 day loan count month)</p>
90+ to Better	<p>Definition: The number of 90+ day delinquent loans at the beginning of the month that transitioned to a less or equally delinquent status divided by the beginning 90+ days delinquent loan count.</p> <p>Calculation: (90+ loans that transitioned to same or better status from the denominator pool) / (90+ loan count)</p>
90+ to Worse (Late Collections Roll Rate)	<p>Definition: The number of 90+ delinquent loans that transition to a further state of delinquency in the following month divided by the total number of 90+ delinquent loans in the previous month. This metric excludes loans in an active foreclosure or trial plan status.</p> <p>Calculation: (120+ loan count that transitioned from the denominator pool- active foreclosure - active trial plans) / (90+ day delinquent loan count - active foreclosure - active trial plans)</p>
Retention Efficiency	<p>Definition: The number of retention workouts closed over a 3-month period divided by the average 90+ day delinquent population for the same measurement period. Initiated trial modifications, closed modifications not requiring a trial period, and completed repayment plans for loans that were 60 days or greater delinquent will be considered in the numerator.</p> <p>Calculation: [For three consecutive months (sum of trial starts + 60+ repay plans completed + closed modifications not requiring a trial) / (3 month average 90+ loan count three consecutive months)]</p>
Liquidation Efficiency	<p>Definition: The number of liquidation workouts closed over a 3-month period divided by the average 90+ day delinquent population for the same measurement period. Pre-foreclosure sales and deeds-in-lieu of foreclosure, including Home Affordable Foreclosure Alternatives (HAFA), will be considered in the numerator.</p> <p>Calculation: [For three consecutive months (sum of pre-foreclosure sales and deeds-in-lieu of foreclosure) / (3 month average 90+ loan count three consecutive months)]</p>

DEFAULT MANAGEMENT CRITERIA

Criteria	Definition/Calculation
Workout Effectiveness	
6-Month Performance	<p>Definition: Measures the number of loans that are current 6 months after the modification closing date.</p> <p>Calculation: (Count of modifications that are current from the denominator pool) / (Count of closed modifications 6 months prior)</p>
12-Month Performance	<p>Definition: Measures the number of loans that are current 12 months after the modification closing date.</p> <p>Calculation: (Count of modifications that are current from the denominator pool) / (Count of closed modifications 12 months prior)</p>
Timing of Liquidation Solutions	<p>Definition: The number of closed pre-foreclosure sales and deeds-in-lieu of foreclosure that were less than 210 days delinquent at the time of closing divided by the total number pre-foreclosure sales and deeds-in-lieu of foreclosure closed for the month.</p> <p>Calculation: (Count of pre-foreclosure sales and deeds-in-lieu closed that were < 210 days delinquent) / (Total count of short sales and deeds-in-lieu of foreclosure closed)</p>
Default Timeline Management	
Loans Beyond FCL Sale Threshold	<p>Definition: Number of 180+ days delinquent loans and loans that liquidated at 180+ days delinquent, that have exceeded the allowable published foreclosure state standard divided by the total count of loans that are greater than or equal to 180 days delinquent or were greater than or equal to 180 days delinquent at the time of liquidation. Liquidations include pre-foreclosure sales, deeds-in-lieu of foreclosure and completed foreclosure sales.</p> <p>Calculation: (Count of loans 180+ days delinquent that exceed foreclosure sale standard + loans that liquidated that exceeded the foreclosure sale standard) / (180+ count + liquidated loans >= 180+ days)</p>
Avg Age Past FCL Sale Std	<p>Definition: Average age of 180+ days delinquent loans and loans that liquidated at 180+ days delinquent, that are beyond the published allowable foreclosure State standards.</p> <p>Calculation: (Total number of days past standard for 180+ delinquent loans and 180+ delinquent liquidated loans that exceeded standard) / (Total number of 180+ delinquent loans and 180+ delinquent liquidated loans that exceeded standard)</p>

DATA INTEGRITY

Criteria	Definition/Calculation
Initial Delinquency Reporting Edits	<p>Definition: The number of edits in the first monthly default reporting transmission compared to the total number of 30+ delinquent loans in the Servicer's portfolio.</p> <p>Calculation: (Number of edits generated in the Servicer's first monthly default reporting transmission) / (Total number of D30+ delinquencies)</p>
Final Delinquency Reporting Edits	<p>Definition: The number of edits that have not been resolved plus the number of 90+ delinquent loans and loans in foreclosure that have not been reported as of close of cycle compared to total number of 30 + delinquent loans in the Servicer's portfolio.</p> <p>Calculation: ((Number of edits that have not been resolved) + (Number of D90+ delinquent and foreclosure loans that were not reported as of the close of the reporting period)) / (Total number of D30+ delinquencies)</p>
Accuracy of DDLPI Reporting	<p>Definition: The percentage of the Servicer's 30+ delinquent loans reported with DDLPIs that are inconsistent with the DDLPI information reported via loan-level reporting.</p> <p>Calculation: (Number of DDLPI discrepancies between EDR and loan-level reporting) / (Total number of D30+ delinquencies)</p>
Timely REO Notifications	<p>Definition: The average number of days to report foreclosure sale results from first business day after the sale date to the date the Servicer reports the sale results.</p> <p>Calculation: (Total number of days to report foreclosure sale results for the period) / (Total number of foreclosure sales reported for the period)</p>