

# Bulletin

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NUMBER: 2012-22

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TO: Freddie Mac Sellers and Servicers

October 19, 2012

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## SUBJECT: QUALITY CONTROL PROCESSES AND REQUIREMENTS

Under the new selling representation and warranty framework announced on September 11, 2012 in *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin 2012-18, Freddie Mac will not exercise its remedies against certain Mortgages with Settlement Dates on or after January 1, 2013, in connection with a Seller/Servicer’s breach of certain selling representations and warranties (generally relating to the underwriting of the Borrower, the Mortgaged Premises, and the project in which the Mortgaged Premises is located). To qualify for the new representation and warranty framework, a Mortgage must evidence an acceptable payment history and meet certain other eligibility criteria as more fully described in Bulletin 2012-18.

With the implementation of the new representation and warranty framework, Freddie Mac’s quality control review process will become increasingly important, and accordingly, changes are being made to the quality control time lines and enforcement processes in support of the new representation and warranty framework.

With this Bulletin we are:

- Announcing revisions to the quality control time lines and enforcement requirements
- Revoking the automatic repurchase trigger announced in Bulletin 2012-18
- Directing Seller/Servicers to other resources for additional information regarding our quality control processes

In addition to this Bulletin, we are issuing an Industry Letter today (“October 19, 2012 Industry Letter”), which provides an overall description of Freddie Mac’s quality control processes and explains how Seller/Servicers will be impacted by the new representation and warranty framework. The October 19, 2012 Industry Letter is not part of the Purchase Documents.

## QUALITY CONTROL AND ENFORCEMENT REQUIREMENTS

With this Bulletin Freddie Mac is announcing the following updates and revisions to its quality control and enforcement requirements, which will be effective on or after **January 1, 2013**:

- In connection with a postfunding quality control review, Freddie Mac must receive a requested Mortgage file within 30 days from the date of the request. If the Mortgage file is not received within the requested time frame, Freddie Mac will issue a repurchase request and may suspend or disqualify the Seller/Servicer. Based upon circumstances at the time, Freddie Mac, in its sole discretion, may specify a shorter or longer period of time for receipt of the requested Mortgage file.
- Within 60 days of the date of a repurchase request, the Seller/Servicer must either repurchase the identified Mortgage or, if the Seller/Servicer has additional supporting information and/or documentation that may affect Freddie Mac’s decision, file an appeal

- If Freddie Mac denies an appeal of a repurchase request, the Seller/Servicer has 15 days to either repurchase the Mortgage, or, if new supporting information is available that was not available at the time of the first appeal, to file a subsequent appeal

We have also added a provision emphasizing that Freddie Mac, at its sole discretion, may provide a Seller/Servicer with an alternative to the immediate repurchase of an identified Mortgage. In each such case, Freddie Mac will notify the Seller/Servicer of the type and terms of the repurchase alternative.

Finally, Freddie Mac is reminding Seller/Servicers that regardless of previous practices and exceptions with respect to its receipt of repurchase proceeds, in the future, Freddie Mac may exercise any of its rights and remedies provided in the Purchase Documents if Freddie Mac does not receive repurchase funds by the repurchase due date. These remedies include, but are not limited to, the assessment of a late remittance fee, which until further notice will be assessed at 120 days from the repurchase request date.

## **AUTOMATIC REPURCHASE TRIGGER**

In Bulletin 2012-18, Freddie Mac announced a new requirement to be effective for Mortgages with Freddie Mac Settlement Dates on and after January 1, 2013 regarding an automatic repurchase request for any Mortgage for which no scheduled payments were made for the first three months after the Freddie Mac Settlement Date. Upon further review, it has been determined that this requirement will not be implemented. Instead, we will continue our current practice of rigorously reviewing any Mortgage with an early payment default.

## **REVISIONS TO THE GUIDE**

The following Guide sections have been amended to reflect the changes announced in this Bulletin:

- 46.1(d), *Mortgage File Submission Requirements*
- 72.1, *Repurchases Required by Freddie Mac Due to Violations of Sale Representations and Warranties*
- 72.3, *Repurchase Price*
- 72.6, *Appealing a Repurchase Request Due to Violations of Sale Representations and Warranties*

## **RESOURCES FOR ADDITIONAL INFORMATION**

Additional information about Freddie Mac's quality control and enforcement processes are found in:

- Guide Chapters 46, *Freddie Mac's Postfunding Quality Control Review*, 47, *Mortgage File Contents*, 48, *Seller's In-House Quality Control Program*, and 72, *Repurchases*
- The September 11, 2012 Industry Letter
- The October 19, 2012 Industry Letter
- The updated *Freddie Mac Quality Control* webinar. This webinar is available on Freddie Mac's Learning Center at:  
<http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=FMQC>
- The Quality Control and Fraud Prevention Resources page on Freddie Mac.com at [http://www.freddiemac.com/singlefamily/quality\\_control.html](http://www.freddiemac.com/singlefamily/quality_control.html), which directs the Seller to a number of tools, quick references and training materials
- FAQs available at: [http://www.freddiemac.com/sell/secmktg/framework\\_faq.html](http://www.freddiemac.com/sell/secmktg/framework_faq.html)

## CONCLUSION

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

Sincerely,

A handwritten signature in black ink that reads "Laurie A. Redmond". The signature is written in a cursive style with a light gray background behind it.

Laurie A. Redmond  
Vice President  
Offerings Effectiveness