

# Bulletin

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NUMBER: 2012-24

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TO: Freddie Mac Sellers and Servicers

November 2, 2012

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**SUBJECT: REQUIREMENTS RELATED TO PROPERTIES AFFECTED BY DISASTERS**

**INTRODUCTION**

As the effects of Hurricane Sandy continue to unfold, Freddie Mac has developed relief measures to assist Borrowers whose lives have been impacted by the disaster. With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are announcing revisions to our selling requirements, which include revised property valuation requirements for Freddie Mac Relief Refinance Mortgages<sup>SM</sup> secured by properties that are damaged as a result of a disaster and revised age of documentation requirements for Mortgages secured by properties affected by Hurricane Sandy.

Please note that the updates in this Bulletin do not impact Servicing requirements; however Servicers should review the “Reminders for Seller/Servicers” section at the end of this Bulletin.

**PROPERTY VALUATION REQUIREMENTS FOR RELIEF REFINANCE MORTGAGES**

Guide Section 44.2(c) addresses properties affected by disasters. Specifically, Freddie Mac expects that when a major disaster or emergency occurs, a Seller be prepared to address property damage issues that may affect the acceptability of properties as security for Mortgages and have established procedures to inspect properties and address property condition issues.

Notwithstanding the recommended steps listed in Section 44.2(c), for Relief Refinance Mortgages secured by properties in areas affected by hurricanes or other natural disasters, a Seller is not required to determine if an additional property inspection or a new appraisal is necessary after an initial property valuation has been relied on, provided that the Mortgage meets the requirements of Guide Chapter 58, *Property Insurance*.

The Guide will be updated in a future Bulletin to reflect these changes.

**AGE OF DOCUMENTATION REQUIREMENTS FOR MORTGAGES IMPACTED BY HURRICANE SANDY**

With this Bulletin, we are revising certain requirements for Mortgages secured by properties located in eligible Disaster Areas impacted by Hurricane Sandy. For the purposes of this Bulletin, “an eligible Disaster Area” is an area comprised of counties or municipalities that have been declared by the President of the United States to be Major Disaster Areas where federal aid in the form of individual assistance is being made available. These areas are published by the Federal Emergency Management Agency (FEMA) on its web site.

For Mortgages that have Application Received Dates on or before and Note Dates after November 1, 2012 and are secured by properties located in eligible Disaster Areas affected by Hurricane Sandy, the following temporary requirements apply:

- Property valuation documentation, including the point value estimate from Home Value Explorer<sup>®</sup> (HVE) or the new appraisal, as applicable, must be dated no more than 180 days before the Note Date. For the purposes of this Bulletin, the “Note Date” is the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages and the Conversion Date for Seller-Owned Converted Mortgages, as applicable.
- Any required underwriting documentation, including, but not limited to, Loan Prospector<sup>®</sup> Feedback Certificates, credit reports, verifications of income, employment and sources of funds, must be dated no more than 180 days before the Note Date.

Note: Loan Prospector will automatically pull a new credit report for Mortgages that are submitted or resubmitted to Loan Prospector 120 days or more after the date of the credit report. The most recent credit report must be used to analyze the Borrower’s credit reputation and determine the Indicator Score, as applicable.

For these Mortgages, our requirements for verbal verifications of employment and verifications of existence of business have not changed. Verbal verifications of employment, if required, must be dated no more than 10 Business Days prior to the Note Date and verifications of existence of business, if required, must be dated no more than 30 calendar days prior to the Note Date, as applicable.

For Mortgages that meet the requirements above, Sellers are permitted to use these temporary requirements in conjunction with their negotiated terms.

The Guide will not be updated to include these temporary requirements. Sellers should retain a copy of this Bulletin to ensure compliance with these requirements.

## **REMINDERS FOR SELLER/SERVICERS**

### **Providing Mortgage relief to Borrowers affected by Hurricane Sandy**

Seller/Serviceers are reminded to review the press release issued by Freddie Mac on October 30, 2012 at: <http://freddiemac.mediaroom.com/index.php?s=12329&item=135028> for information on providing Mortgage relief to Borrowers affected by Hurricane Sandy. Seller/Serviceers are also reminded that they must comply with the requirements set forth in Chapter 68, *Servicing Mortgages Impacted by a Disaster*, which include:

- Short-term suspension of collection and foreclosure proceedings for up to 12 months from the date a disaster strikes to help accommodate financial hardship, based on the relative merits of each case
- Not assessing late charges or reporting to credit repositories for Borrowers on a forbearance plan or paying as agreed on a repayment plan
- Providing help with options for local, State or federal disaster assistance
- Monitoring and coordinating the insurance claim process

Seller/Serviceers are further reminded that if a Borrower resides in an area devastated by Hurricane Sandy and requests help with their Mortgage payments, but the destruction is not severe enough for the President of the United States to issue a Major Disaster Declaration with federal Individual Assistance, Serviceers should provide Mortgage relief using our standard Mortgage relief options, as described in Chapters A65, *Reinstatements and Relief Options*, B65, *Workout Options*, and C65, *Home Affordable Modification Program*.

### **Maintaining insurance for Mortgaged Premises affected by Hurricane Sandy**

Seller/Serviceers are reminded that for as long as Freddie Mac owns an interest in a Mortgage, the Seller/Serviceer must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in Chapter 58, and in accordance with the terms of the Security Instrument and applicable law.

## 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 grey rectangular background behind it.

Laurie A. Redmond  
Vice President  
Offerings Effectiveness